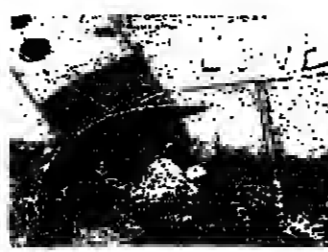


FINANCIAL TIMES

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Media futures
Advertising on the net
Winston Fletcher, Page 13



Michael Prowse
The decline of US culture
Page 16



Today's survey
Business travel
Separate section

World Business Newspaper <http://www.FT.com>

MONDAY, OCTOBER 7, 1996

Swiss face \$20bn suit over Nazi victims' assets

Union Bank of Switzerland and Swiss Bank Corporation will fight a vigorous defence against a \$20bn class action brought against them in New York for allegedly refusing to return money, jewellery and other assets deposited with them by victims of the Nazis. The case comes at a time of mounting controversy over the wartime role of Switzerland and its banks. Page 3

Eurotunnel to unveil refinancing plans: Eurotunnel is today expected to announce that its 236 creditor banks will convert £2bn (\$3.1bn) of their £9bn loans into equity in the troubled group at a little above its suspension price last week of FF9.5 a share. The banks will gain just under 45 per cent of the group. Page 19

Italy begins second Eni sell-off: Italy will today open the second phase of the privatisation of Eni, the country's biggest oil, gas and chemicals group, by unveiling the size of the new stake to be sold to the public. Page 19

Russia and US supply UN funds: Financial collapse at the United Nations has been averted off by a payment from Russia as well as by funds from the US Congress which are hedged with tough conditions, the UN's financial manager said. Page 5

Lebed seeks to ease Nato tensions: Alexander Lebed, Russia's national security chief, will today meet Nato leaders in Brussels to try to reduce tensions over the western alliance's plans to expand eastwards. Page 2

North Korea holds US 'spy': North Korea said it had arrested a US citizen as a spy working for South Korea. The move drags Washington into a feud between North and South Korea over the deaths of 23 of the 26 North Koreans who landed by submarine in the South.

Spain seeks to change pensions policy: The German government wants the country's 2m civil servants to contribute to their own pensions from 2001. Pension bills are expected to grow rapidly because many civil servants were hired in the 1960s and 1970s. Page 3

Brussels angers textiles industry: European textiles and clothing industry executives attacked a Brussels proposal to accelerate the liberalisation of Europe's textiles and clothing market without reciprocal market opening from other exporting countries. Page 2

Serbs boycott Bosnian parliament: Bosnian Serb politicians boycotted the inauguration of the new parliament, casting a shadow over prospects for bringing together the two halves of the war-torn country. Page 3

Siebe plans new division: Siebe, UK-based controls and appliances maker, is today expected to announce the creation of an automotive division employing 6,000 workers at 25 sites worldwide to take advantage of consolidation in the components industry. Page 19

Botnar reaches tax deal: Octav Botnar, former head of Japanese car importer Nissan, K, is to pay £50m (\$78m) in UK taxes to settle a year-old dispute, a spokesman for the exiled businessman said. Page 7

BET chief seeks £3.3m: John Clark, former chief executive of BET, today launches a £3m (\$5.1m) compensation claim in the High Court following his dismissal from the business services group. Page 7

Part to decide whether to arrest Rao: Delhi court could today permit the arrest of V. Narasimha Rao by deciding whether to grant or deny bail to the former premier who was arrested in May elections. He has been argued with alleged involvement in political rigery. Page 4

Currency trading joins the Net: A London reign exchange market-maker is offering clients a 24-hour service for currency trading using the Internet. Page 18

European Monetary System: The Bank of Spain's decision to cut its key repurchase rate 50 basis points last week allowed the peseta narrow further in value against the D-Mark. The French franc remains the weakest currency in the grid, while the Portuguese escudo moved above the peseta. Currencies, Page 27; Lex, page 18

MS: Grid October 4, 1996

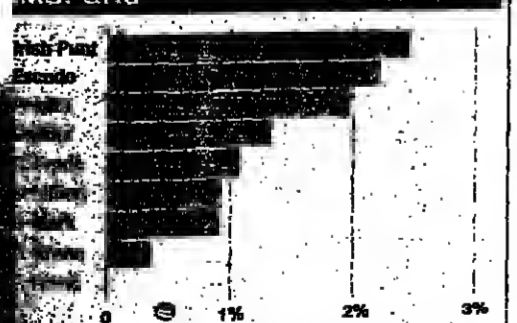


chart shows the member currencies of the EMS rate mechanism measured against the D-Mark within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are D-Mark and the guilder which move in a 2.25 cent band.

Comment the FT web site provides online news, comment and analysis at <http://www.FT.com>

Table with exchange rates for various currencies including GBP, USD, JPY, etc.

EU keeps to deadline for reforming Maastricht

Leaders' agreed date could clash with UK elections

By Linnel Barber in Dublin

European Union leaders have agreed to stick to June 1997 as the deadline for concluding their intergovernmental review (IGR) of the Maastricht treaty, in spite of fears that the negotiations will be hostage to a British general election campaign in the spring. After a weekend summit in Dublin, the 15 heads of government vowed to press ahead with the IGR timetable and claimed to have made progress in defining the scope of treaty changes. The agreed deadline means critical negotiations on EU reform, involving changes in voting strength and other questions of national sovereignty; justice and home affairs; a general "flexibility" clause allowing countries to integrate at their own pace; and reform of institutions and decision-making, including the re-weighting of votes to reflect better the size and population of the larger countries. A broad consensus has emerged in favour of a "high representative" to speak for the EU in foreign policy, alongside a new "super-commissioner" who would combine the portfolios of trade and external political affairs, now separate. Each would be able to draw on a new policy planning unit in Brussels. On justice and home affairs, most EU leaders agree that the present system based on conventions and loose co-operation between national governments is too cumbersome.

In spite of British reservations, support is growing for the European Commission to be involved without necessarily putting matters such as external border controls, immigration, or asylum policy under the European Court of Justice. A Scandinavian-led push for a "new chapter" in the new treaty is gaining ground, although Britain, France, and Germany are opposed. British and French officials warned against fostering illusions that the EU could create new jobs, while Germany is worried that a treaty commitment to full employment could clash with the need for fiscal orthodoxy in the future monetary union.

EU leaders have agreed to leave the tricky issue of institutional reform and voting weights until the end of the talks, probably next spring under the Dutch presidency. Chancellor Kohl forecast that the EU would hold a special summit in March, although the timing could be difficult for Mr John Major, the British prime minister, if it is held before the UK election.

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US presses Palestinians and Israelis to resume talks

By Judy Dempsey in Jerusalem and Lionel Barber in Dublin

Israeli and Palestinian negotiators last night resumed peace talks after Mr Warren Christopher, US secretary of state, told both sides to reach concrete results "as quickly as possible". The talks, which opened at the Erez border crossing between Israel and Gaza, followed intense US pressure to get negotiations back on track after outbreaks of violence between Israeli and Palestinian forces. Mr Christopher's remarks were made during a joint news conference with Mr Benjamin Netanyahu, after more than two hours of talks with the Israeli prime minister. At the press conference, Mr Netanyahu appeared more conciliatory towards the Palestinians, omitting direct criticism and recognising their needs, particularly economic hardships arising from Israeli closures of the West Bank and Gaza.

The two sides were facing further pressure to reach agreement with the expected arrival of Mr Dick Spring, the Irish foreign minister, representing the European Union. His mission was sanctioned by EU leaders meeting in Dublin at the weekend, despite US objections to the EU assuming a formal peace-broker role. Mr Spring's visit reflects concern in European capitals that US-led diplomacy is sidelining the EU, which is the biggest aid donor to the region. At the weekend summit of EU leaders in Dublin, Irish officials said Mr Christopher had sent a letter welcoming Europe's support for US-led efforts to revive the 1993 Oslo peace accords, while issuing a veiled warning against appointing a special envoy. Mr Christopher held separate talks in Gaza yesterday with Mr Yassir Arafat, president of the Palestinian Authority. The US secretary of state insisted there would be no change to the Interim Agreement or the Oslo accords, adding "we must seek how best to implement the agreements - with Hebron first and foremost - a reference to the long-delayed redeployment of Israeli troops out of the town in the West Bank. Mr Netanyahu has staunchly opposed the Oslo accords, which predate the Interim Agreement. But yesterday he appeared to soften, saying Israel was committed to implementing the Interim Agreement, although he would be seeking "adaptations."

"We did not propose to open the agreements," said Mr Netanyahu. "We proposed within the framework of the language of the accords and the various clauses in them, to make the necessary adaptations mainly on the security issues."

Arafat papers revive old 'Zionist enemy', Page 5
Emerging markets, Page 26



Corsean nationalists are suspected of causing the explosion at the city hall in the French city of Bordeaux, where the mayor is Mr Alain Juppé, the country's prime minister. Mr Juppé, pictured centre with his aides inspecting damaged rooms in the ornate 18th-century building yesterday, had left the city some hours before the blast late on Saturday night. Report, Page 2. Picture: Reuters

Russia to sell gas shares overseas at a premium

By Robert Corzine in London and John Thornhill in Moscow

Shares in Gazprom, Russia's biggest company, are to be offered to international investors at a price almost four times that of its domestically traded shares. The company, the world's largest natural gas producer, will today launch a two-week roadshow in Europe, North America and Asia to persuade institutional investors to take part in the offering. The company plans to sell 23.7m American Depositary Shares, each of which represent 10 ordinary shares, at a price of \$14-\$16 per ADS. Ordinary Gazprom shares in Russia trade at around 40 cents each. The international offering of just over 1 per cent of Gazprom shares is expected to raise about \$400m, but more shares may be made available should demand warrant it.

The final price will be determined by the level of demand in a process to be completed later this month. The depositary shares will be traded on the London stock market, its first listing abroad. If the initial offering is successful, the company's market value will be around \$1.5bn.

Continued on Page 18
Norwegian talks, Page 7

Anglo American review may lead to asset sales

By Hugo Dixon

Anglo American, the world's biggest mining group, has launched a strategic review which is expected to lead to the disposal of some non-core assets. Anglo dominates the South African economy, controlling companies totalling almost 40 per cent of the Johannesburg stock market by value via a complex web of cross-shareholdings. Executives are questioning whether it still makes sense to tie up capital in non-core businesses, some of which have not performed well. Mr Michael Spicer, an Anglo director, said: "What was appropriate in the hot-house economy and disinvestment of the 1980s is almost certainly unlikely to be in the era we have, let alone the era we could conceive five years down the track."

The review, which had just started and would take some time to complete, was "quite likely" to lead to disposals, he said. One senior executive went further, saying it was "absolutely certain" there would be asset sales.

Mr Spicer would not be drawn on speculation that its controlling stakes of First National Bank, acquired when Britain's Barclays Bank disinvested, and Southern Life, a life insurer, might be sold. These stakes, with a market value of about \$6bn (\$1.8bn), could appeal to foreign companies wishing to enter the South African market. Mr Spicer explained that the review was prompted by the need to position Anglo for the possible abolition of exchange controls and an awareness that some of the company's investments had not produced great returns. Mr James Pictou, an analyst with Standard Equities, a South African stockbroker, said it would make sense for Anglo to dispose of its financial and non-core industrial interests. He said that while Anglo had by far the most powerful balance sheet in the country, it already had a "huge expansion programme on its plate" within South Africa.

Lex, Page 18

FOR CLEARER VISION GO STRAIGHT TO THE TOP

Table titled 'Corporate Money Top 20 Venture Capitalists by deal value (1996 year to date)'. Columns include Venture Backer, Deal Value £M, and No. of Deals.

Cinven THE OUTLOOK IS BRIGHT CINVEN / INDEPENDENT / VISION

Time for serious bargaining draws near

Questions about the scope of EU reform refuse to go away. Lionel Barber reports

Whether it is the taste of meat and potatoes or sympathy for a divided country, Ireland brings the best out in Chancellor Helmut Kohl.

On Saturday evening in Dublin Castle, half way through the special EU summit on the future of the European Union, Mr Kohl was in splendid form, mixing acerbic wit with a sense of history.

Outsiders would scarcely have guessed that Europe's senior statesman had dropped a pre-summit danger which had forced him to explain himself over lunch to his fellow 14 heads of government. But Mr Kohl recovered and his reassuring words calmed the mood at the Dublin summit.

go to the heart of the EU's intergovernmental conference (IGC) to review the Maastricht treaty which has been under way for the past six months.

Mr Kohl was asked at a news conference how he would respond if the IGC yielded only minimal reform of the EU's institutions. The suggestion was that a modest result would jeopardise the EU's commitment to expand membership to countries from central and eastern Europe, and the Mediterranean.

The Chancellor replied it was too soon to judge the outcome of the IGC, but added: "We will probably not solve all the problems we face. Perhaps we will have a Maastricht 3."

because of pressure from France. This view has gained ground because senior French officials have been saying for months that the most important issue facing the EU is the successful launch of economic and monetary union in 1999. Once Emu is in place, the true pattern of European integration will follow.

Many EU leaders agree. Hence the astonishing u-turn by the Italian government, which has pledged to unveil a draconian budget in a dash to qualify for Emu in 1998; and the statement by Mr Antonio Guterres, the Portuguese prime minister, on Saturday that his country would join the single currency as a "political option", independent of its economic benefits.

Mr Kohl also believes monetary union is essential to propel Europe forward, but his worry is that, as in Maastricht 1, he may not be able



Helmut Kohl at the weekend; on splendid form

to offer Germans the complementary "political union" - especially if French public opinion remains so hostile to the prospect. Mr Kohl's talk of a Maastricht 3 looked like a warning to Paris.

On Saturday, Mr Kohl said he had been "wiffully misinterpreted". Mr Werner Hoyer, his chief IGC negotiator, said European integra-

tion was a never-ending process, quipping: "There will be Maastrichts 3, 4, 5, and 6."

Yet questions about the scope of Maastricht 2 will not go away. Will the IGC result be enough to meet the EU's self-imposed test that it must prepare for a Union of 26-plus countries? Or will the reforms be sufficiently unthreatening to allow the British government, Labour or Conservative, to sign up on schedule at the Amsterdam summit in June 1997?

Britain's prime minister, Mr John Major, in testy mood ahead of tomorrow's Tory party conference, urged EU leaders to "look before you leap". He said enlargement was much more important than reforming EU institutions. But the rest of Europe is convinced that without some changes in veto rights and the size of the Commission, enlargement would be a leap in the dark.

Around this time, the Irish presidency will be nudging the parties toward an agreement on a draft treaty text in time for the EU summit in Dublin in mid-December. Contrary to the impression of deadlock, the civil servants and legal advisers to the IGC have produced options on issues in treaty language.

At the weekend, all EU leaders, including the expansive Mr Kohl, kept their cards close to their chest. But the time for serious bargaining is drawing closer.

Editorial comment, Page 17

EUROPEAN NEWS DIGEST

Hungary call for resignation

The Free Democrats, junior partners in Hungary's coalition government, called on Mr Tamas Suchman, industry and trade minister, to resign over a scandal involving illegal payments by the privatisation agency which comes under his control. "This can lead to a coalition crisis if Tamas Suchman is not fired..." said Mr Ivan Peto, Free Democrat chairman.

On Friday the government sacked the entire board of APV, the privatisation agency, saying it had made irregular payments of F300m (\$1.9m) to a lawyer who negotiated with municipalities on APV's behalf. The lawyer was working without a formal contract and before the work had been organised in line with APV regulations.

Mr Gyula Horn, the prime minister, defended his minister at a meeting of the Hungarian Socialist party, the senior coalition partner, over the weekend. He plans to review the issue today.

Turkey's Libya visit backfires

The visit to Libya by Mr Necmettin Erbakan, Turkey's prime minister, designed to impress his Islamic supporters at home, backfired yesterday after Col Muammar Gaddafi, the Libyan leader called on the Turkish government to let Kurdish people set up their independent state.

"We would have never imagined when we came here that Gaddafi would say things like this," Mr Abdullah Gul, a close aide to Mr Erbakan, told Turkish reporters in Tripoli.

Col Gaddafi criticised Turkey for cracking down on Kurdish rebels. "The state of Kurdistan should take its place in the spectrum of nations under the Middle Eastern sun," he said.

Danes fear missile revenge

Danish police were on the alert for revenge attacks yesterday after an anti-tank missile fired at a Hell's Angels party killed two people and wounded 19.

Police named the victims as a 38-year-old candidate for membership of the motorcycle gang and a 28-year-old woman guest with no known connection to the gang. Eleven people were still in hospital after the missile smashed through the walls of a Copenhagen club. Two were seriously injured and eight others were discharged after treatment.

Police found a spent launcher and another with a live missile ready for firing on the roof of a building some 70 metres from the club. They said the weapons were among 12 stolen from a military store in Sweden in February 1994.

Madrid split on Basque 'war'

Mr Manuel Fraga, founder of Spain's ruling conservative Popular party, yesterday shrugged off as mistakes the crimes of a 1980s "dirty war" on Basque rebels, revealing a split in the party over how far to hound their Socialist predecessors.

"It isn't state terrorism to fight against terrorism, even if it's badly done, even if it's done illegally," Mr Fraga, a former minister under the late dictator Francisco Franco, told the daily newspaper El Pais.

His statements contrasted sharply with those of Mr Francisco Alvarez Cascos, deputy prime minister, who last week accused Mr Felipe Gonzalez, former Socialist prime minister, of having waged "doguilla terrorism" from a wine-cellar in his official residence where he and his aides used to hatch strategies.

The Supreme Court is considering whether to summon Mr Gonzalez, who was in power from 1982 until May this year, over the 1980s campaign of kidnappings, bombings, torture and murder in which 27 people died - one-third of them by mistake. Mr Gonzalez has denied any role in the illegal drive against Eta Basque rebels.

Ukraine teachers rally on pay

Up to 15,000 teachers rallied in Kiev yesterday to demand months of back pay, in a protest drawing attention to a \$1.5bn wage arrears crisis which has left millions of Ukrainian government workers unpaid.

Teachers and university professors arrived from across Ukraine to gather peacefully in central Kiev, joining smaller protests of about 2,000 teachers taking place in several other Ukrainian cities.

Many teachers have stopped working because the government has failed to fulfil promises to clear wage arrears, which are also owed to doctors, civil servants, miners, students and pensioners.

Savoie protest in Geneva

Hundreds of protesters calling for independence for the French Alpine region of Savoie demonstrated in front of the United Nations' Palace of Nations in Geneva yesterday after disrupting traffic near the Mont Blanc tunnel.

Around 300 supporters of the Ligue Savoisiennne, founded in 1994, heard Mr Jean de Pinon, its leader, denounce a treaty signed in Turin in 1860, under which the King of Sardinia ceded Savoie to France. "Historians have created the myth of a unanimous vote... by the people of Savoie of 99.8 per cent," he said. "The vote was a malicious farce."

1m German environment jobs

Nearly 1m people in Germany make a living from environmental protection, making it almost as many as in vehicle manufacturing, IFO, the German economic research institute said yesterday. Environmental protection directly employs 508,000 people while 448,000 are employed in manufacturing goods and services aimed at environmental protection.

Corsican nationalists focus of Bordeaux bomb inquiries

By Andrew Jack in Paris

French officials investigating an explosion this weekend at the city hall in Bordeaux, where the mayor is Mr Alain Juppé, the prime minister, yesterday appeared to be concentrating their inquiries on Corsican nationalists.

The bomb went off late on Saturday night some hours after Mr Juppé had left the south-western French city. Nobody was hurt, but the 18th-century building was damaged and a number of windows in the vicinity were destroyed.

Mr Juppé, who returned to the site yesterday to inspect the damage, specifically referred to a "terrorist" attack, but investigators yesterday appeared to have ruled out Basque separatists, who have been responsible

for a number of recent explosions in the area.

An attack on an official building frequently used by Mr Juppé is a particular embarrassment for security forces, who stepped up surveillance in the wake of a series of attacks linked to Islamic extremists in the summer and autumn last year.

It comes ahead of the Franco-British summit scheduled to take place in Bordeaux early next month under President Jacques Chirac and Mr John Major, the British prime minister.

The French prime minister expressed his "indignation" yesterday at the attack, for which no advance warning was received. However, he did not believe it should drive people to panic. "I am not the kind of man who lets himself be intimidated," he

said. "The rule of law will prevail."

The FLNC-Canal Historique, largest of Corsica's several clandestine nationalist groups, declared in August the end of its "truce". This had been announced in January when the French government launched negotiations to help improve the economy of the battered Mediterranean island.

In mid-September, Mr Francois Santoni, head of the organisation, criticised Mr Juppé for his refusal to recognise Corsicans as a specific group, and warned that the nationalists would "pursue the struggle".

While attacks had continued throughout the year, they have accelerated since this statement, coinciding with an apparently tougher police line against nationalist suspects.

There have been more than 50 explosions in the last few weeks, most of them aimed at public buildings in Corsica.

The explosion on mainland France would represent an acceleration in its campaign, and follows an attack on a public building a few days ago in the southern city of Aix-en-Provence.

Mr Charles Pieri, another official of the FLNC-Canal Historique, who was badly hurt in a car bombing in Corsica over the summer, said buildings in mainland France could become targets if government negotiations came to nothing.

Investigators said the Bordeaux bomb appeared to have been a plastic explosive or dynamite, and not a charge in a gas canister, the technique adopted by the Basque terrorists recently.



Alexander Lebed arrives at Brussels airport yesterday; trying to dispel 'worst fairy tales of the Cold War'

Lebed and Nato leaders in bid to ease tensions

By John Thornhill in Moscow

Mr Alexander Lebed, Russia's national security chief, will today meet Nato leaders in Brussels in an attempt to reduce growing tensions over the western alliance's plans to expand to the east.

Mr Lebed said yesterday he would make clear Russia's strong objections to Nato's military expansion, but he would table his own compromise proposals in an effort to avert confrontation.

Arriving at Brussels airport yesterday for his first visit to the west, Mr Lebed sought to play down his recent harsh statements threatening economic and military reprisals against the west if Nato embraced central European countries.

"Some commentators of ill will have been saying that Lebed is threatening Nato with nuclear weapons, and saying Russia is ready to occupy some of these countries if there is the slightest move of Nato to the east," Mr Lebed said on arriving in Brussels yesterday.

"These are the worst fairy tales of the cold war," he said.

Mr Javier Solana, Nato's secretary general, will host a series of informal political talks with Mr Lebed today, explaining the alliance's plans to embrace new members, including Poland, Hungary and the Czech Republic.

Tomorrow the former Russian general will discuss his country's participation in joint peacekeeping duties in Bosnia with Gen George Joulwan, the US commander who leads Nato forces in Europe.

Mr Lebed has made a series of erratic and seemingly contradictory statements about Nato's expansion plans since he entered the Kremlin in June as President Boris Yeltsin's national security adviser.

He initially appeared to be unconcerned by Nato's plans, suggesting they were meaningless, but since being pilloried by nationalists as a western stooge, Mr Lebed has hardened his rhetoric and emphasised that Nato's expansion would jeopardise Russian security.

Brussels moves to free textiles angers industry

By Jenny Luesby

European textiles and clothing industry executives have described as "unnecessary and regrettable" a Brussels proposal to accelerate the liberalisation of Europe's textiles and clothing market without reciprocal market opening.

The plan to dismantle long-standing textile trade restrictions under the Multi-Fibre Arrangements is designed to head off a confrontation at the Singapore meeting of the World Trade Organisation in December.

By giving away sensitive categories without obtaining concessions from major exporting countries, the Commission is missing an

opportunity to pry open markets that remain closed to European exports," said Mr Guy Roonid, head of Euratex, the industry's main lobby group.

The European Commission had hoped to persuade the poorer countries to remove their own trade barriers in return for faster European liberalisation but the developing nations rejected this.

Brussels now aims to act unilaterally. It plans to include several "sensitive" categories in the second stage of the MFA phase-out, due in January 1998, including some mass-market textiles such as woolen yarns and fabrics. It also plans to include products equivalent to 17.8 per cent of its 1990

textile imports, compared with the Uruguay Round target of 17 per cent.

The industry concedes that the economic impact is likely to be limited, but says: "In matters of trade, especially when employment is at stake, free gifts are signs of weakness and no inducement to reciprocity."

There is also industry opposition to the inclusion of gloves, synthetic yarns and fabrics and arylacetic ropes in the phase-out. Mr Renato Ruggiero, director-general of the World Trade Organisation, has attacked industrialised nations for not living up to the spirit of the Uruguay Round in their approach to the MFA phase-out.

The Future of European Business: The German or British Way?

A one-day conference exploring the contrasts between "Rhine" capitalism and its Anglo-Saxon counterpart

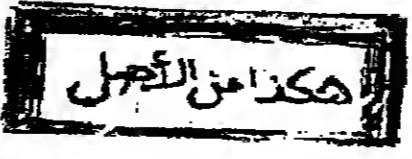
Wednesday, October 16, Queen Elizabeth II Conference Centre, London

Speakers

Michel Albert, Bank of France
Robert Bischof, Boss Group Ltd
Prof. Gordon Edge, The Genetics Group PLC
John Gardiner, The Laird Group
Hubertus von Crunberg, Continental AG
Eberhard von Kuenheim, BMW AG
Reinhard Kuhlmann, European Metalworkers Federation
Richard Lapthorne, British Aerospace PLC
George Mallinckrodt, Schroders PLC
John Manser, Robert Fleming Holdings Ltd
Justus Mische, Hoechst AG
Prof. Reimut Jochimsen, Deutsche Bundesbank
Sir Geoffrey Owen, London School of Economics
Wolfgang Reitzle, BMW AG
David Sainsbury, J. Sainsbury PLC
Prof. Helmut Schlesinger, former president, Deutsche Bundesbank
Sir David Simon, British Petroleum PLC
David Soskice, Wissenschaftszentrum, Berlin
Martin Taylor, Barclays Bank PLC
J. Adair Turner, Confederation of British Industry
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Swiss face \$20bn suit on Nazi gold

Banks plan vigorous defence of Nazi victim's class action

By William Hall in Zurich

Union Bank of Switzerland and Swiss Bank Corporation will fight a vigorous defence against a \$20bn class action brought against them in a New York court for allegedly refusing to return money, jewellery and other assets deposited with them by victims of the Nazis.

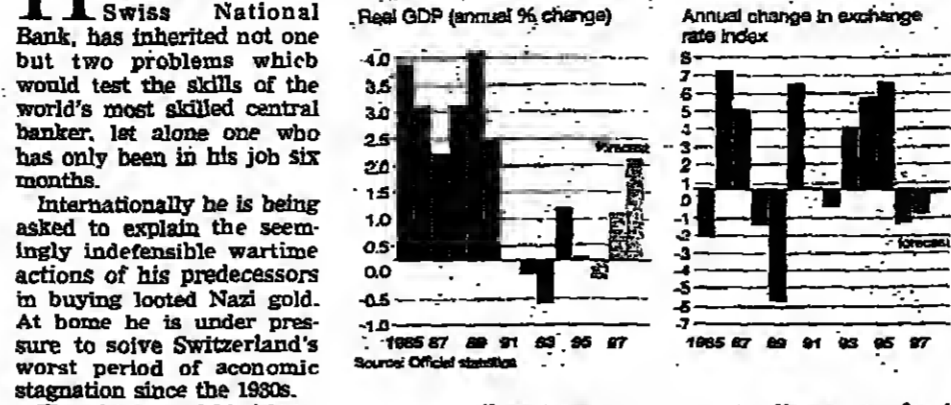
The class action, believed to be the first of its kind, was filed on Thursday in a Brooklyn court by Mrs Gisella Weisshaus, a Holocaust survivor, on behalf of all victims and survivors of the Nazis who had deposited money and property in Swiss banks for safe keeping until after the second world war.

This case comes at a time of mounting controversy over the wartime role of Switzerland and its banks. On Friday, the US State Department announced a "thorough and immediate study" of the US government's knowledge about the disbursement of Nazi assets and its contacts with the Swiss on the question.

Switzerland has come under increasing pressure to re-open the 1946 Washington agreement under which it

Hans Meyer, Swiss National Bank chief, urges shock treatment Swiss economy on the ropes

Swiss stagnation



Hans Meyer: tough times

Hans Meyer, the chairman of the Swiss National Bank, has inherited not one but two problems which would test the skills of the world's most skilled central banker, let alone one who has only been in his job six months.

Internationally he is being asked to explain the seemingly indefensible wartime actions of his predecessors in buying looted Nazi gold. At home he is under pressure to solve Switzerland's worst period of economic stagnation since the 1930s.

The chances of Mr Meyer rescuing the Swiss economy from its six-year slough are somewhat higher than his chances of turning around hostile world opinion about the wartime role of the Swiss central bank. Nevertheless, he faces an uphill task particularly since the Swiss franc's role as a currency "safe haven" will increase in the run-up to European monetary union.

Whenever there is a fresh bout of uncertainty about the prospects for the Swiss franc comes under upward pressure and this exacerbates the SNB's efforts to restart an economy which has been stalled for the last six years. As recently as this summer most economists were expecting the Swiss economy to grow faster than last year. Now, however, the consensus is that it will shrink this year and recovery will not start until next year.

This was the background against which the bank wheeled out one of the more trusted, but old-fashioned weapons in a central bank's armoury last month. It cut its discount rate from 1.5 per cent to 1 per cent, its lowest ever. The move is primarily symbolic, since the SNB has been injecting extra liquidity into the Swiss money markets since August with the result that short-term interest rates have fallen from 2.5 per cent to 1.3 per cent and federal bond yields have fallen below 4 per cent.

But the SNB backed its action with a statement that it expected the interest rate decline to "continue for some time". This may be a tall order since Japan is the only other country to have a lower official discount rate and apart from a brief period at the end of the 1970s, when the SNB cut its rate to 1 per cent to discourage foreign capital inflows, the only other time Switzerland's discount rate has been as low was in the 1930s.

The parallels between the 1930s and the 1990s have not been lost on the Swiss. Rising unemployment and increasing job insecurity have taken their toll on consumer confidence and the 15 per cent appreciation of the currency over the last two years has undermined export growth, one of the traditional pillars of the Swiss economy.

Between 1949 and 1985 the economy grew by 3.2 per cent a year and while the pace slackened in the second half of the 1980s it was still in line with other European states. However, for the last six years Switzerland has been the worst performing European economy, apart from Finland, and the strains show.

deeper than in the 1973-74 and 1982 recessions. If the economy is to break out of its six year stagnation, it will require a spending recovery largely dependent on a sharp improvement in consumer confidence.

Mr Erich Müller, finance director of Sabler, a leading Swiss engineering company, has welcomed the cut in the discount rate but does not believe Swiss industrial competitiveness will be restored until the franc rate moves back to the \$1.30 level.

Professor Jean-Christian Labelet of the University of Lausanne, argues it is too much to expect the Swiss National Bank to shoulder all the responsibility for restarting the economy. He would like the authorities to cut income tax and impose a two-year moratorium on public spending cuts, believing the economy will only get going again with some "shock treatment".

The prospects of this happening soon are slim, which means that Mr Meyer and the bank hold the key to economic recovery. However, with interest rates now at historically low levels, the central bank is running dangerously short of ammunition to counter any speculative inflow into the franc caused by ECU worries, and it is far from clear that the latest discount rate cut is enough to restart rebuilding consumer confidence.

Bill Hall

Bonn in shift on pension policy

By Wolfgang Münchau in Frankfurt

The German government wants the country's 2m civil servants to contribute to their own pensions for the first time from the year 2001.

In a rushed announcement prompted by media leaks, Mr Manfred Kanther, interior minister, said civil servants should forgo 0.2 per cent of their annual wage rise from 2001 to help fund their pensions.

The proposals mark the first time a German government has touched the politically sensitive issue of civil service reform. Pension bills are expected to grow rapidly in the next two decades because of the retirement of large numbers of civil servants hired in the 1960s and 1970s.

DBB, the civil service trade union, attacked the reform as unconstitutional, while the opposition Social Democrats criticised the proposals as too timid. Mr Kurt Beck, state premier of Rhineland-Palatinate, said what was needed was "comprehensive structural reform of the entire public sector".

In Germany, most teachers and university lecturers are civil servants, and so are many employees at Deutsche Telekom, train drivers and postmen.

The continued privileges enjoyed by the civil service, especially the constitutionally enshrined protection from dismissal, stand in sharp contrast to the clamp-down under way in the private sector.

Yesterday's move is part of the wider debate over what level of welfare Germany can afford. Leaders of IG Metall, the engineering union, and Gesamtmetall, the engineering employers, will today hold an emergency meeting in the hope of calming a bitter industrial dispute over cuts in sick pay.

Serbs boycott opening of new Bosnian parliament

By Laura Silber, Balkans Correspondent

Bosnian Serb politicians boycotted the inauguration of the new parliament at the weekend, casting a shadow over prospects for the development of multi-ethnic institutions aimed at welding together the two halves of the war-torn country.

International mediators failed to convince Mr Momcilo Krajisnik, the hard-line Serb representative

to Bosnia's new collective presidency, and 10 Serb deputies to the 42-seat House of Representatives, to attend Saturday's inaugural ceremony at the national theatre in central Sarajevo.

Instead, Mr Alija Izetbegovic, Moslem chairman of the three-man presidency, and Mr Kresimir Zubak, his Croat counterpart, swore "to support and defend the constitution of Bosnia-Herzegovina" in front of a host of foreign dignitaries. They also promised to "fully respect the peace agreement" and defend the equality of Bosnia's Moslems, Serbs and Croats.

Mr Krajisnik's empty chair shows the difficulties in building common institutions joining the Moslem-Croat Federation and Republika Srpska, the Bosnian Serb entity, envisaged in the Dayton peace agreement.

The joint governing institutions, which the Dayton accords say must operate by national consensus, are also facing paralysis. Bosnia's presidency must nominate a government, divided among Moslems, Serbs and Croats, and Serb deputies must be present when the House of Representatives chooses a speaker and other top posts.

After weeks of tug-of-war diplomacy the Serb boycott came as no surprise in spite of a successful first meeting of the presidency last Monday. Western officials put a brave face on it, predicting that

Bosnian Serb leaders would join the new institutions chosen in the September 14 elections. "The Serbs will be ready to sign the solemn declaration as the others did," said Mr Michael Steiner, German ambassador and deputy to Mr Carl Bildt, chief international envoy to Bosnia.

Mr Krajisnik's claim of fears for his personal security were seen as a pretext for refusing to swear loyalty to a unified Bosnian state. As the right-hand man of the former Bosnian Serb leader Radovan Karadzic, during the war and the election campaign Mr Krajisnik advocated a separate Serb state.

The boycott came after the UN Security Council permanently lifted sanctions against Belgrade last Tuesday.

While the Serbs count on the Russians to veto any new sanctions the Security Council expressed willingness to consider new measures if the parties blocked the implementation of Dayton.

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NEWS: INTERNATIONAL

Rao awaits Delhi court bail decision

By Mark Nicholson in New Delhi

A Delhi court could today permit the unprecedented arrest of a former Indian prime minister by deciding whether to approve or deny bail to Mr P.V. Narasimha Rao, who has been charged with alleged involvement in a political forgery case.

The court issued an arrest warrant for Mr Rao on Friday, but later stayed its delivery after his lawyers rushed in a late evening application for bail. The lawyers argued that Mr Rao, Congress party prime minister from 1991 until electoral defeat in May, "is an old person of 76" and has "serious medical problems", which they said included diabetes and heart problems.

Denial of bail would leave Mr Rao, already due to answer court charges of complicity in a separate \$100,000 swindling case, facing the deeper ignominy of a stay in Delhi's Tihar prison. Indian newspapers yesterday, commenting on his alleged "sickness", recalled his spokesman rebutting rumours of his ill health late last year by saying then he was in robust good health.

Mr Prem Kumar, Delhi's chief metropolitan magistrate, issued non-bailable arrest warrants on Friday against three others in the case. Mr K.K. Tewary, a former Congress minister, Mr K.L. Verma, former director

of India's enforcement directorate and Mr Larry Kolb, the son-in-law of Mr Adnan Kassar, the arms dealer.

The arrest of Mr Rao would be likely to hasten his departure as parliamentary party leader of Congress, which he retained despite resigning as party president on receiving the earlier summons in the cheating case. The accused in the "St Kitts" forgery case allegedly conspired in 1989 with the intent to smear the son of Mr V.P. Singh, then spearheading opposition attacks on Mr Rajiv Gandhi's Congress government - notably in the award of a big artillery supply contract to Bofors, the Swedish arms group.

Mr Rao is alleged to have aided in a plot to forge documents suggesting Mr Ajeaya Singh held an illegal foreign currency account in the Caribbean island of St Kitts. The swelling tide of scandals is also threatening to engulf the Janata Dal party, the biggest single component of the governing United Front. Mr Laloo Prasad Yadav, chief minister of Bihar and Janata Dal party chairman, rushed to Delhi at the weekend, apparently to defuse a growing row over his alleged involvement in a long-running "Yodder scam" - in which officials of the state's animal husbandry department are alleged to have misappropriated tens of millions of rupees through award of phoney contracts.

Jiang looks to boost his image

Plenum may bolster president's claim to post-Deng mantle, says Tony Walker

The Chinese phrase *jingshen wenming jianshe*, or to "build spiritual civilisation", is hardly a catchy political slogan, but for China's president Jiang Zemin it represents something of a "make-or-buy" attempt to further define his leadership. The Communist party's central committee is due to begin a critical plenary session today which aims both to bolster Mr Jiang's position as "first among equals" in the Chinese collective and also refurbish a tired communist ideology well past its "use-by" date.

The plenum will endorse a lengthy document spelling out what is meant by "spiritual civilisation" as an anti-dote to rampant corruption and money-worship spawned by rapid economic change, and also provide justification for a new oriental authoritarianism, or control-mechanism, based on Confucian ethics.

Mr Jiang, the cautious bureaucrat, is looking to China's past for guidance to deal with modern challenges. His embrace of traditional values is something of a gamble since such a move hardly appears forward-looking, but his supporters argue the campaign represents the best means of charting a course between discredited old-guard communism and western-style democratisation which risks chaos.

Of course, uppermost in the minds of China's rulers is a desire to construct a system which protects the party's monopoly on power. The fate of fraternal organisations in the former Soviet Union and eastern Europe is

repeated emphasis on educating people with lofty ideals... many people, including some leading officials, failed to take it seriously," the paper said.

Curbing corruption will not prove easy. Corruption permeates most levels of society in spite of a crackdown launched in August, 1993. Among problems facing Mr Jiang in his drive to "purify" the state is the fact

that high officials and their families are deeply involved in corruption. However, China's leader, having embarked on his chosen course, has little choice but to press on with his dual attempts to cleanse society and repackage old state ideology.

The risk for Mr Jiang is that his campaign will fall flat and he will be shown to lack authority: in effect, China's putative new emperor will be revealed without some of his clothes.

But for the moment, the party plenum, which is scheduled to last until midweek, is expected to improve the 70-year-old Mr Jiang's prospects of claiming the post-Deng mantle.

"What the plenum is about is strengthening Jiang Zemin's position with the most likely outcome being that he will edge ahead a few points in the Chinese version of opinion polls, but this will not necessarily completely secure his position," said a western official.

While the central committee gathering's primary task will be to endorse the new "spiritual civilisation" document, perhaps a more important function will be to provide something of a dress rehearsal for the 15th National Party Congress late next year.

Held every five years party congresses are seminal events and the next one assumes greater-than-normal importance because it will both sanction a new post-Deng leadership and also policies to carry China past 2000.

Manoeuvring among China's political factions has

been intensifying in the countdown to next year's congress, sharpened by indications that Mr Deng's health is continuing to deteriorate.

China's patriarchal leader, who turned 82 in August, has not been sighted in public since 1994 and is said to be so frail that he is barely able to acknowledge visitors.

Factional rivals broadly grouped around Mr Jiang's cautiously centrist mainstream and reformist elements led by Mr Qiao Shi, who is number three in the hierarchy, have been more actively competing in recent months.

But for propaganda purposes, and because the script will have been written in advance, China's leaders will be at pains to show solidarity.

Efforts to build a more just civil society based on traditional values is a "motherhood issue" among top leaders, although there will be those such as Mr Qiao who may be suspicious of Mr Jiang's real motives.

Mr Jiang may be inching forward in his efforts to put his mark on Chinese history like his predecessors Mao and Deng, but he still has a long way to go.

This week's plenum is, at best, a stepping stone along the way.



Jiang Zemin: embrace of traditional values is a gamble

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African tour brings criticism for US

By Michela Wrong in Nairobi

Mr Warren Christopher, the US secretary of state, today kicks off a five-nation tour of the continent. But there are few signs African appreciate the honour of receiving such a high-ranking visitor and Mr Christopher may have to soothe some bruised egos.

The trip's purpose - "to stress that Africa matters to the United States," according to Mr George Moose, assistant secretary of state - has been undermined by suspicions that one of its real aims is to persuade African nations of the rightness of Washington's campaign to replace Dr Boutros Boutros Ghali as UN secretary general.

During a stopover in Addis Ababa, Mr Christopher will meet Mr Salim Salim, head of the Organisation of African Unity (OAU), being touted as a possible replacement for Dr Boutros Ghali, whose reappointment Washington has vetoed. The local media have also been quick to accuse Mr Christopher of trying to win pre-election points - among America's black constituency in next month's US elections.

"The Clinton administration has from the very start contributed to the perception of the continent's creeping irrelevance," Kenya's Daily Nation said in an editorial, dismissing the visit as "a virtual campaign stop".

The trip starts in the West African state of Mali, one of Africa's few successful democracies, where Mr Christopher meets President Alpha Oumar Konare. Mr Konare would have been considered natural steps in the past but are now viewed as too controversial, opting for Ethiopia instead. There Mr Christopher is expected to discuss Washington's latest proposal for a 10,000-strong African peacekeeping force to intervene in crisis-spots in a humanitarian role, setting up safe havens.

Western countries have for years been encouraging the OAU to police its own continent and Washington's suggestion appears to have been triggered by the collapse this summer of attempts by East African countries to pull together a peacekeeping force for Burundi. US officials have been touring Africa and Europe testing support, and the response from African countries has been warm with Ghana, Zimbabwe and Rwanda offering to contribute troops.

The reaction in European capitals appears to have been cooler and the question of who will fund the operation and approve its missions remains vague. Mr Moose told journalists last week the US would pay "our fair share" of the \$25m-\$30m cost of training and equipping the force. The rest, he said, would come from the United Nations, with the force answering to the UN Security Council. But Ms Madeleine Albright, UN ambassador, said the organisation lacked the resources and there was some "reluctance" to take responsibility for such a force.

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BOEING

Mahathir's grip tightens as Umno election looms

By James Kynge in Kuala Lumpur

The triennial election for top posts in Malaysia's dominant political party, the United Malays National Organisation, used to be the most pivotal event in the country's political calendar. However, in this year's elections to be held this week, things are different.

Several rulings and restrictions have meant that the election may prove more interesting as a window on the nation's democracy than as a vehicle for the redistribution of political power.

Umno has dominated domestic politics since independence in 1957 and is the leading force in the 14-party Barisan Nasional ruling coalition. Because the party leader has gone on to be the country's leader, the poll is seen as having more impact than general elections on the political landscape.

However early this year, Umno's supreme council decreed that, for the first time, the leadership would not be contested in the party elections. Dr Mahathir Mohamad, who has narrowly survived challenges in the past, will therefore stay as party president and keep his job as prime minister. The position of deputy presi-

dent, held by Mr Anwar Ibrahim, deputy prime minister, will also be safe.

Mr Anwar is Dr Mahathir's likely successor and political observers had hoped this year's polls might shed light on his party power-base and therefore the pressure on Dr Mahathir, 70, to step aside. But a ban on campaigning in the run-up to the election on Thursday has denied the public a chance to assess the issues and made it difficult for analysts to judge the level of support for key politicians.

"Normally, you would expect an absence of campaigning to favour the incumbents," said one political analyst, who declined to be named. "If so, this will increase the chances of Mahathir retaining or increasing his dominance within the party."

Dr Mahathir yesterday defended the ban on campaigning as a means to stamp out vote buying, which he said has become institutionalised. The prime minister, who says Malaysia is following a style of democracy different from the west, also maintains that the execution of government policy should be kept as free from political disruptions as possible.

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FT Surveys

مركز الأعمال

UN lifted by payments from Russia, US

By Bruce Clark, Diplomatic Correspondent

The spectre of a financial collapse at the United Nations has been staved off by a substantial payment from Russia as well as funds from the US Congress which are hedged with tough conditions, according to the UN's financial manager.

Mr Joseph Connor, who was chief executive of the accounting firm Price Waterhouse before moving to the UN, said that, in the summer, the world body had

been close to stopping work altogether for lack of cash.

But since then, he said, the cash crisis had been eased by two factors - a spectacular promise by Russia to pay \$400m in outstanding dues, and funding pledges by the US Congress which are tied to hard but not impossible conditions on UN reform.

The UN administration chief hailed the "extraordinary commitment" made by Russia, which had already paid \$210m of its promised contribution and vowed to send the remainder soon.

Russia's seat on the UN Security Council is one of its main diplomatic assets. Russia and fellow council members China and France have pledged their continued support for Mr Boutros Boutros Ghali, the UN secretary-general, despite Washington's insistence that it will block his re-election.

Mr Connor defended the UN's effort to streamline itself and cut costs, saying "we are well on the way to meeting most of the criteria" set by the US Congress for the disbursement of further bud-

get contributions.

The US last week paid \$150m into the UN budget, bringing the world organisation's total debts down to around \$2.5bn, of which \$1.6bn is owed by Washington. This follows a \$40m US contribution paid in the previous week to coincide with the visit to the General Assembly by President Bill Clinton.

However the US Congress has warned the UN that continued contributions will be dependent on strict adherence to a programme of savings and staff cuts.

Mr Connor said the UN's efforts at economising, which involve keeping annual expenditure at or below the current level of \$1.3bn without allowing for inflation, were "as good as any government in the world has achieved".

The UN Secretariat's staff of around 10,000 is being cut by about 1,000 during the current biennial budget, covering 1996 and 1997, and another 600 job losses are expected in 1998.

Mr Connor, in London last week to discuss his efficiency drive with senior UK officials,

said he hoped an improved cash flow would help to pay some of the 81 countries who were waiting to be reimbursed for contributions to peacekeeping.

For several years the UN has been forced to plug the holes in its regular budget by plundering the separate peace-keeping account - and leaving itself unable to repay troop contributors.

Even on an optimistic scenario, Mr Connor said, the regular budget would face a \$125m shortfall at the end of the year.

NEWS IN BRIEF

Texaco in Kazakh gas deal

Texaco, the US oil company, is soon to join British Gas and Agip of Italy in a troubled but large gas condensate venture in Kazakhstan, according to a senior Kazakh official.

An accord to allow Texaco to take a 20 per cent stake in the multi-billion dollar project has been signed, but is awaiting approval by the Kazakh government.

Mr Nurlan Balgimbayev, Kazakh oil minister, announced last week "Kazakhstan will have two new partners", and mentioned Texaco, US oil company, and Lukoil of Russia.

Sander Thoenes, *Almaty* and Robert Corzine, *London*

Moscow and its CIS allies unite on perceived threat from Afghanistan

Central Asia eyes Taliban

Russia and the former Soviet republics of Central Asia made a show of unity at the weekend in the face of a Taliban assault in neighbouring Afghanistan, even as one Taliban leader pledged that they had nothing to worry about.

Taliban forces, the Islamic fundamentalists who have taken control of about three-quarters of Afghanistan, bombarded the outposts of rival Afghan warlord Ahmad Shah Masoud yesterday after consolidating newly taken posts at the entrance to his Panjshir valley stronghold south of the Tajikistan border.

If Mr Masoud were to lose control of the valley, the Tajik opposition and refugees who have been his guests could flee back into Tajikistan, possibly with Mr Masoud on their heels. Some observers even predict that Taliban would support the Tajik opposition in their four-year war against the communist government in Dushanbe, which has been supported by Moscow.

Mr Victor Chernomyrdin, Russia's prime minister, met four Central Asian presidents on Friday night to prepare a joint response to such scenarios, threatening force if Taliban were to cross the border. On Saturday, Mr Evgeny Primakov, Russia's foreign minister, announced Moscow would reinforce its troops on the Tajik-Afghan border.

But experts say Taliban will be hard put to take the pass before the harsh winter sets in next month. Either way, Mr Mullah Mohammed Ghous, acting foreign minister for the Taliban in Kabul, yesterday said the nations of former Soviet Central Asia had nothing to fear from Taliban.

"The position of the Tali-



the city of Mazar-i-Sharif. Mr Dostum, well armed and strongly positioned at the Salang tunnel 90km north of Kabul, controls the other main thoroughway to the former Soviet Union.

While Taliban appears unlikely to encroach on Central Asia, experts predict its perceived threat may actually boost chances for peace and unity inside Central Asia, at least in the short term. Mr Inomali Rakhmonov, the Tajik president, on Friday said his government hoped to sign a peace accord with the opposition in mid-October, in a planned summit in Moscow.

"Fear of the Taliban could make them unite," said Mrs Shirin Aktner, a Central Asia expert at the University of London. "The Taliban are much more extreme than the Tajik opposition."

Taliban has also encouraged the Central Asian states to rely on Moscow's support once again. Mr Alexander Lebed, secretary to Russia's Security Council, has appeared keen to exploit that trend, warning of a Taliban assault on Uzbekistan. During a visit to Brussels on Sunday he called the situation "very tense" and said that "there is a movement towards the borders of Uzbekistan and Tajikistan, first moves towards implementing notions of joining parts of Tajikistan to Afghanistan".

Even Iran has appeared keen to side with Russia, dis-

tancing itself from both Taliban and the Tajik opposition. Iran has supported the Tajik opposition in the past but its influence has waned, which means it would lose little and possibly gain a lot by supporting peace initiatives.

Mr Islam Kartimov, Uzbekistan's powerful president, has been content to stay clear of Moscow but in this case the interests may coincide. At Friday's summit he said the former Soviet states should act jointly to ensure that Mr Dostum, who has relied on Uzbek support, maintains control of the Salang tunnel. Mr Chernomyrdin, standing by his side, made no attempt to contradict him.

Mr Saparmurat Niyazov, president of Turkmenistan, failed to appear at the emergency summit in the Kazakh capital of Almaty. Mr Niyazov and Unocal, the US oil company, say they have Taliban support for construction of gas and oil pipelines across Afghanistan to Pakistan.

"Senior Central Asian officials have been telling foreigners for some months now that they suspect the Taliban are equipped by the US and Pakistan," Mrs Aktner said. "They not only have helicopters, they have people who can fly them. Who trained them?"

Sander Thoenes

INTERNATIONAL PRESS REVIEW

Arab papers revive old 'Zionist enemy'

MIDDLE EAST
By Roula Khalaf

During the years of the peace process, the moves towards normal relations between Arabs and Israelis saw the traditional anti-Israeli rhetoric in Arab newspapers toned down. But now the "Zionist enemy" is making a comeback. By last week, as Palestinian anger turned to bloody clashes and the Washington Middle East summit failed to produce results, the Arab press had dropped all cordiality.

Israel's new headline premier, Mr Benjamin "Bibi" Netanyahu, has inspired nasty poems and insults, ranging from being called "netan", which means rotten in Arabic, to "compulsive liar" and "the man who landed from another planet".

The feeling of betrayal, anger and frustration now permeating the Arab world, and the Arab press, was summed up in a piece by Lebanese writer Samir Atallah in last Thursday's Saudi-owned pan-Arab daily *Asharq al-Awsat*.

"On the streets, in newspapers and in cafes, politics used to be the only topic of discussion. Books were published for Palestine and par-

ties formed for Palestine and leaderships made on Palestine," he recalled. Then as the peace process took off, Arab writers who had called for a peaceful settlement were vindicated while others were stricken with guilt for having failed to appreciate the logic of peace.

"Then appeared Benjamin Netanyahu holding a gun and he fired at the atmosphere of normalisation and at the language of peace and brought back 'the enemy' to the headlines... Netanyahu had promised us he will destroy it all."

The pan-Arab daily *al-Hayat*, published in London, had planned little hope on last week's Washington summit, called by US President Bill Clinton to calm the tensions. It will lead nowhere, predicted editor Jihad Khazen earlier last week, because "the prime minister of Israel lies as naturally as he breathes... As a professional liar, he will promise - but he won't deliver."

The Arab press declared the summit a failure and the future bloody, and turned to the elusive need for Arab solidarity to stand up to Mr Netanyahu's policies.

"The biggest, in fact only winner [in the Washington summit] is the man who by his absence said what the

summit had finally concluded: that it never had any prospect of succeeding. Egyptian President Hosni Mubarak won great respect in the Arab world for his far-sightedness and his refusal to take part in the staged performance," said Lebanon's *al-Safir*.

As-Safir said the summit had ended in a silence that befit state funerals. "Benjamin Netanyahu came out of the tunnel he dug in the holy city of Jerusalem [which sparked the recent bloodshed] while Yasser Arafat remains stuck in it..."

In Syria, the staunchest critics of Israel, there was little question of what should come next. "Arabs should not waste time waiting for any gesture from Netanyahu's government... They should sever ties with Israel," said Syria's official *al-Bath*. At the Arab summit in June, Arab states had agreed that further rapprochement would be tied to moves on peace on the basis of a land-for-peace formula.

But amid talk of the need for Arab solidarity, Palestinian pan-Arab daily *al-Quads al-Arabi* pointed out that the opening of the tunnel, which touches on an issue dear to all Arabs and Moslems, had generated precious little reaction in Arab capitals.

HK terminal plan

A senior Chinese official yesterday launched an attack on a plan by the Hong Kong government to build four new container terminals. The plan to build Container Terminal 10 to 13 on Lantau, an outlying island in Hong Kong, was renewed after China and Britain reached accord on Container Terminal Nine last month. *Reuter, Hong Kong*

China land ban

China's communist government has for the first time since it took power in 1949 priced open a ban to lease land to foreign investors in the north-western Xinjiang region, the China Daily Business Weekly said yesterday. The regional government is leasing rights on 16,000 hectares of land to attract advanced foreign technology. *Reuter, Beijing*

CORRECTION

Panama

In the FT survey of Panama published on October 1, the first name of Mr Ricardo Alberto Arias, minister of foreign relations and former Panamanian ambassador to the US, was incorrectly given as Roberto.

For a man of 50, life still has a lot to offer. Even after a heart attack.



At 50, men are said to be in their prime of life. Despite some stress, most of them feel good about themselves. They don't miss out on the fun just because of a little high blood pressure.

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DAY OUTDOOR TIME

African tour brings criticism for US

By M... ..

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Swiss banking

NEWS: THE AMERICAS

Move to site forex bank in New York

By George Graham, Banking Correspondent

The US administration may be willing to ease some bank regulations in order to make sure that a proposed new clearing house bank to handle the \$2,400bn that flows through the foreign exchange market every day is sited in New York.

Mr John Hawke, under-secretary for domestic finance at the US Treasury, said in an interview that the US believed New York was "the ideal place to have that centre for trading, with volumes of over \$460bn a day. London's advocates argue that it stands midway between the Japanese and US time zones, and have also raised questions about the US's burdensome regulatory structure."

Mr Hawke said both the Treasury and the Federal Reserve were interested in ensuring that this problem did not stand in New York's way: "I think the difficulty can be approached from the point of view of regulatory forbearance or exemptions."

The G20 has already decided that its clearing house needs to take the form of a limited purpose bank. A decision on where it should be based is expected at the end of the year.

Some European banks sympathise with the US view that the clearing house should be New York, because even though most trading takes place in London, settlement is predominantly in New York through the Chaps payment system.

Central banks have generally encouraged the G20 approach, but a report from the International Monetary Fund questions whether the benefits it could bring in eliminating Herstatt risk would justify the costs of setting it up.

"There is some concern that the operations of such a clearing bank could potentially affect liquidity in the major money markets. Even if these problems are solved, there is the issue of costs and benefits," the IMF warned.

The US pressure on behalf of New York has caused some anxiety in Europe, where most central and commercial banks believe the logical site for an institution so crucial to the foreign exchange market would be London - by far the largest

The economy again, stupid

Never mind the debates, professor's research shows what really sways voters at presidential polls, writes Patti Waldmeir



US ELECTIONS November 5

Forget about last night's US poll debate between President Bill Clinton and Mr Bob Dole. It will have no impact, says Professor Ray Fair of Yale University.

He has constructed an econometric model which he says proves, with remarkable accuracy, that only one variable influences US voting behaviour: the state of the economy.

Mr Clinton and Mr Dole, who were due to begin their televised debate at 0100 GMT this morning, may indulge themselves by scoring debating points, or busily crisscrossing the nation to show their pain over crime, drugs and the demise of the American Dream. But none of that

buys votes. The result is pre-ordained, even before they step on to the stump, by the economic numbers.

By plugging three simple measures of economic performance into a mathematical formula, Prof Fair believes he can predict the outcome of the November poll. His record is not perfect: he failed to forecast the correct result in 1992, but in every other election since 1916 his formula has proved strikingly accurate.

If he is right this year, and has the guts to bet on it, he could be a very rich man: for his model predicts that the November poll will be far closer than the 20-point spread of the conventional wisdom, and that Mr Dole could actually win. He forecasts 51.15 per cent of the vote for Mr Clinton. But with two percentage points built in for error, that could easily turn out to be 51 per cent for Mr Dole.

Prof Fair bases his model on three economic variables: the per capita GDP growth rate in the first three quarters of an election year; the inflation rate since the last presidential inauguration; and the number of quarters since the last election when per capita GDP growth exceeded 2.5 per cent.

The last figure - which he calls the "good news" variable - was added to the model to correct for its failure in 1992, when it predicted that President George Bush would win by three percentage points. Prof Fair admits that he does not fully understand why the formula failed that year. Perhaps it was the influence of Mr Ross Perot, the independent candidate, which skewed a model based on two-party voting. But exit polls showed that Mr Perot drew equally from both camps, so his effect should have been neutral.

Perhaps the model was defeated by something

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Notice is hereby given that for the six month Interest Period from October 7, 1996 to April 7, 1997 the Notes will carry an interest rate of 5.5625% per annum. The interest payable on the Notes will be 100% of the U.S. \$140.01 and U.S. \$2,812.18 respectively for Notes in denominations of U.S. \$5,000 and U.S. \$100,000.

By: The Chase Manhattan Bank
London, Agent Bank

October 7, 1996

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ORDER OF COURT

In the Supreme Court of South Africa (Witwatersrand Local Division)
Johannesburg, Wednesday, 16 September 1996
before the Honourable Mr Justice Joffe
In the ex parte application of
Leslie Gold Mines Limited
(Incorporated in the Republic of South Africa)
(Registration number 59/01124/06)

Case No. 96/21789

Applicant

Having heard counsel for the Applicant and having read the application:

It is ordered that:

- a meeting ("the scheme meeting") in terms of section 311(1) of the Companies Act, 1973 ("the Act"), of the ordinary shareholders of the Applicant, registered as such at the close of business on the day (excluding Saturdays, Sundays and public holidays) immediately preceding the day of the scheme meeting, ("the scheme members"), be convened by the chairman mentioned in paragraph 2, ("the chairman"), who shall fix the time, date and place thereof, for the purpose of considering and, if deemed fit, agreeing to, with or without modification, the scheme of arrangement ("the scheme") proposed by Kinross Mines Limited (registration number 63/06226/06) between the Applicant and its shareholders, registered as such on the record date of the scheme;
- Jonathan Harry Schlosberg, a partner in Bowman Gilfillan Heyman Godfrey Inc., attorneys (Jonathan Harry Schlosberg and Bowman Gilfillan Heyman Godfrey Inc., do not act for the Applicant or Kinross) or, failing him, such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc., be and is hereby appointed as chairman of the scheme meeting;
- the chairman of the scheme meeting is authorised to:
 - appoint scrutineers for the purpose of the scheme meeting;
 - determine the validity and acceptability of any form of proxy submitted for use at the scheme meeting;
 - adjourn the scheme meeting from time to time if he considers it necessary to do so; and
 - determine the procedure to be followed at the scheme meeting and any adjournment thereof;
- this Order of Court and a notice convening the scheme meeting be published by the chairman once in each of the Government Gazette, Business Day, Beeld, the London Financial Times, Rapport and the Sunday Times on a date at least 2 (two) weeks before the date of the scheme meeting. The notice shall state:
 - that the scheme meeting has been convened in terms of this Order;
 - the time and venue of the scheme meeting;
 - that the scheme meeting has been convened to consider and, if deemed fit, agree to, with or without modification, the scheme;
 - that a copy of this Order, the scheme and the explanatory statement in terms of section 312(1) of the Act may be inspected during normal working hours at any time prior to the scheme meeting at the registered office of the Applicant, 6 Holland Street, Johannesburg, or at the Applicant's office in the United Kingdom, 30 Ely Place, London, EC1N 6UA and at the chairman's office; and
 - that a copy of this Order and the explanatory statement in terms of section 312(1) of the Act may be obtained free of charge on request by any scheme member from the Applicant at the times and places mentioned in 4.4.
- copies of:
 - the explanatory statement in terms of section 312(1) of the Act;
 - the notice convening the scheme meeting in the form of the applicable attachment to Annexure O to the notice of motion, showing the time, date and place of the scheme meeting;
 - the form of proxy to be used at the scheme meeting in the form of the applicable attachment to Annexure O to the notice of motion;
 - this Order of Court;
 be sent by the Applicant at least 2 (two) weeks before the date of the scheme meeting to each of the shareholders of the Applicant at their addresses as reflected in the Applicant's register of members at the close of business on a date not more than 4 (four) calendar days before the date of such posting;
- a copy of:
 - the scheme and the explanatory statement in terms of section 312(1) of the Act;
 - the notice convening the scheme meeting in the form of the applicable attachment to Annexure O to the notice of motion;
 - form of proxy in the form of the applicable attachment to Annexure O to the notice of motion;
 - this Order of Court;
 shall lie for inspection at and be obtained free of charge from the registered office of the Applicant and the Applicant's office in the United Kingdom, at the times and places mentioned in 4.4, for at least 2 (two) weeks prior to the date of the scheme meeting;
- the chairman of the scheme meeting shall report the results of the scheme meeting to this Honourable Court on Tuesday, 12 November 1996 at 10:00 or so soon thereafter as Counsel may be heard;
- the report required by this Honourable Court from the chairman of the scheme meeting shall comply with the requirements of section 1E of the Practice Manual of this Honourable Court and without derogating from the generality of the aforesaid, details should be given of:
 - the number of shareholders present in person at the scheme meeting;
 - the number of shareholders represented by proxy with information as to the number represented by him in terms of proxies which were annexed to Annexure O to the notice of motion;
 - the number of shares in the Applicant held by all the shareholders;
 - any proxies which have been disallowed;
 - all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast in terms of proxies in the form annexed to Annexure O to the notice of motion;
 - all rulings made and directions given by the chairman at the scheme meeting; and
 - the main points of any other scheme of arrangement which was submitted to the meeting;
- the chairman of the scheme meeting shall make available (and the notice of the scheme meeting which will be published and sent to the Applicant's shareholders shall include a statement that it is so available) a copy of the chairman's report to this Honourable Court, free of charge to any scheme member on request for it, for at least 4 (four) days from the Tuesday preceding the date fixed by this Honourable Court for the chairman to report back to it; and
- any scheme member wishing to vote by proxy should tender a proxy in the form of the applicable attachment to Annexure O to the notice of motion.

By Order of the Court
Registrar
18 September 1996

Edward Nathan & Friedland Inc.
Applicant's attorneys
23rd Floor
Sanlamcentrum
206 - 214 Jeppe Street
Johannesburg, 2001
(PO Box 3370, Johannesburg, 2000)
(Refer: Mr M Katz/Mr K W Joselowitz)
Tel. (011) 337-2100

Labour reform splits Peronists

By David Pilling in Buenos Aires

Deep divisions emerged within Argentina's governing Peronist party at the weekend over proposed labour reforms, as Senator Eduardo Menem, President Carlos Menem's brother, joined the ranks of those opposed to the president's bill.

President Menem is pushing for sweeping changes to labour norms which would and collective bargaining and make it easier to hire and fire. The president argues that only by modifying rigid labour norms can the economy begin to create enough jobs to tackle near-record unemployment of 17.1 per cent.

Senator Menem, whose opposition to

the bill follows that of Mr Eduardo Duhalde, the governor of Buenos Aires province, said he particularly opposed a proposal allowing the extension of the working day to 12 hours.

Mr Duhalde, who controls a large bloc of Peronist deputies, said he favoured an emergency employment bill, but would not support elements in the president's legislation that weakened workers' rights or made their jobs more insecure. Without his support, it would be almost impossible to secure passage of the bill through Congress.

Several other prominent Peronists, such as Mr Antonio Cafiero, a Buenos Aires senator, have expressed disquiet about labour reforms which would in effect dismantle the historic relationship between Peronism and the trades unions.

President Menem, who has threatened to pass labour legislation by decree should Congress prove uncooperative, has developed a bitter, uncompromising tone in the face of such opposition. At a weekend gathering of supporters in his Olivos residence, he described those opposed to the bill as "mental midgets".

The president sharpened the conflict with organised labour still further by announcing his intention to decree this week the deregulation of union-run health schemes. Such schemes, which collect an estimated annual \$2.5bn, are the main source of financing for unions.

NOTICE OF SCHEME MEETING

In the Supreme Court of South Africa (Witwatersrand Local Division)
Johannesburg, Wednesday, 16 September 1996
before the Honourable Mr Justice Joffe
In the ex parte application of
Leslie Gold Mines Limited
(Incorporated in the Republic of South Africa)
(Registration number 59/01124/06)

Case No. 96/21789

Applicant

Notice is hereby given that, in terms of an Order of Court, dated 16 September 1996, in the above matter, the Supreme Court of South Africa (Witwatersrand Local Division) ("the Court") has ordered in accordance with the provisions of section 311 of the Companies Act, 1973, that a meeting ("the scheme meeting") of ordinary shareholders of the Applicant (other than Kinross Mines Limited (registration number 63/06226/06) ("Kinross")), registered as such at the close of business on Monday, 4 November 1996 ("the scheme members") be convened under the chairmanship of Jonathan Harry Schlosberg, partner of Bowman Gilfillan Heyman Godfrey Inc., attorneys (Jonathan Harry Schlosberg and Bowman Gilfillan Heyman Godfrey Inc., do not act for the Applicant or Kinross), or, failing him, such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc. for the purpose of considering and, if deemed fit, agreeing to with or without modification, the scheme of arrangement ("the scheme") proposed by Kinross between the Applicant and the holders of its issued shares (other than Kinross) ("the scheme shares").

The scheme meeting will be held at 9:30 (South African time) on Tuesday, 5 November 1996, in the Lecture Room, 1st Floor, 6 Holland Street, Johannesburg.

A copy of the scheme, the explanatory statement in terms of section 312(1) of the Companies Act, 1973 explaining the scheme, the notice concerning the scheme, the form of proxy, and the Order of Court convening the scheme meeting are included in the circular sent to shareholders and copies may, on request by any scheme member, during normal working hours be inspected at or obtained free of charge from the registered office of the Applicant, 6 Holland Street, Johannesburg, at the Applicant's office in the United Kingdom, 30 Ely Place, London, EC1N 6UA, and at the chairman's office.

Each scheme member may attend, speak and vote in person at the scheme meeting or may appoint any other person or persons (who need not be shareholders of the Applicant) as a proxy or proxies to attend, speak and vote in such scheme member's place.

The necessary form of proxy (blue) is included in the circular sent to shareholders. Additional forms of proxy may be obtained on request from the registered office of the Applicant and its office in the United Kingdom as set out above.

Each signed form of proxy must be lodged with or posted to Consolidated Share Registrars Limited, 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) in South Africa or Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU in the United Kingdom, so as to be received by no later than 8:30 (South African time) on Monday, 4 November 1996 or handed to the chairman of the scheme meeting by no later than ten (10) minutes before the time for which the scheme meeting is convened.

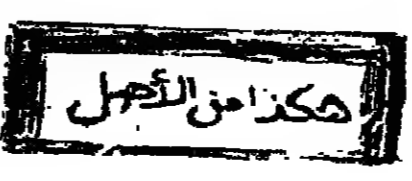
Where there are joint holders of scheme shares, any one of such persons may vote at the scheme meeting in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders be present or represented at the scheme meeting, that one of the said persons whose name stands first in the Applicant's share register in respect of such shares and his proxy, as the case may be, shall alone be entitled to vote in respect thereof.

In terms of the Order of Court dated Tuesday, 16 September 1996, the chairman of the scheme meeting will report the results thereof to the above Honourable Court at 10:00 or so soon thereafter as Counsel may be heard on Tuesday, 12 November 1996. A copy of the chairman's report to the Court will be available on request (free of charge) to any scheme member at the chairman's office, and the registered office of the Applicant and at the Applicant's office in the United Kingdom at the time and place mentioned above for at least 4 (four) days from the Tuesday preceding the date fixed by the Court for the chairman to report back to it.

The scheme is subject to the fulfilment of certain conditions precedent stated in the scheme, one of such conditions being its sanction by the above Honourable Court.

Jonathan Harry Schlosberg
Chairman of the scheme meeting

Attorneys to the scheme
Edward Nathan & Friedland Inc.
23rd Floor
Sanlamcentrum
206 - 214 Jeppe Street
Johannesburg, 2001
(P O Box 3370, Johannesburg, 2000)
(Refer: Mr M Katz or Mr K W Joselowitz)
Tel. (011) 337-2100



Major firm on single currency

By John Kampner in London and David Wighton in Dublin

Mr John Major, the prime minister, yesterday gave his most unequivocal undertaking yet to keep Britain's options open on a European single currency and to stand by Mr Kenneth Clarke, chancellor of the Exchequer in the Conservative government.

The prime minister's robust defence of his "wait-and-see" policy on the eve of his party's annual conference was undermined by the disclosure that Lord McAlpine, a former deputy chairman of the party, has defected to the Referendum party.

clear as if it wasn't clear enough already" that he "would not budge an inch". Mr Major said: "There's no point in pushing. We are in the negotiations and we are staying in the negotiations, and I just hope colleagues will accept that."

"However, colleagues of Mr John Redwood said he would use his three appearances in fringe meetings in Bournemouth to reiterate his opposition to monetary union and to emphasise the need for "strong leadership".

Mr Redwood, a former cabinet minister who challenged Mr Major for the party leadership last year, is one of the party's leading Eurosceptics. Mr Major was speaking after delivering what was seen as an extraordinary snub to his fellow European Union leaders.

Mr Major left an informal meeting of EU heads of government in Dublin early, skipping the official dinner that followed the talks and making it clear that he viewed the meeting had largely been a waste of time.

Former BET chief starts legal action

By Tim Burt

Mr John Clark, the former chief executive of BET, is today launching an unprecedented £3.3m (\$5.1m) compensation claim in the High Court in London following his dismissal from the business services group.

It is thought to be the first time in Britain that the chief executive of a large quoted company has asked the courts to adjudicate on a severance package.

American-born Mr Clark is contesting a pay-off of less than £1m from Rentokil Initial, the industrial services company that earlier this year won control of BET after a £2.2bn takeover battle.

Mr Clark, who was sacked after refusing the offer, has instructed lawyers Hiddle & Co to seek full payment of his three-year rolling contract. Last year he received a total pay package of £1.1m, including a £280,000 bonus and £226,000 in pension-related payments.

City of London lawyers have described the High Court hearing as a test case on how companies set discretionary bonus payments. Some leading law firms said the court's decision could set new guidelines on executive pay, possibly involving an obligation on companies to pay bonuses - even where they are discretionary - once they have become a significant part of an employee's salary.

Exile 'to pay \$78m' in tax dispute

By Charles Batchelor, Transport Correspondent

Mr Octav Botnar, the former head of Nissan UK, an importer of Japanese cars, has reached an agreement to pay the Inland Revenue £50m (\$78m) to settle a five-year old tax dispute, a spokesman said yesterday.

Mr Botnar, who faces possible arrest if he returns to England, has spent the past five years in self-imposed exile in Switzerland. The Inland Revenue claimed £250m against his company.

Lawyers acting for Mr Botnar will read out a prepared statement in the offices of the special commissioners of the Inland Revenue in London today giving details of the agreement, his spokesman said.

But the Inland Revenue refused to comment on Mr Botnar or his former company. "Taxpayers' affairs are confidential," a spokeswoman commented, adding there was still a warrant out for his arrest.

It is unclear whether this deal will remove the threat of further legal action against Mr Botnar, who will be 83 this month, his spokesman said yesterday.

Setback for PM on care for old

By Nicholas Timmins, Public Policy Editor

Government plans for "partnership" deals allowing the elderly to protect their homes and assets from the costs of long-term care have had to be postponed.

The is a serious blow to Mr John Major, the prime minister, who had hoped the government would have in place before the general election a scheme allowing people with moderate incomes to protect at least part of its inheritance from the costs of long-term care.

Serious technical issues have arisen over how the schemes should be run, however, and ministers accept that it is now impossible to have a promise of legislation in the forthcoming Queen's Speech to Parliament outlining government plans.

Instead, Mr Stephen Dorrell, the health secretary, plans to publish a draft bill later this year, allowing the insurance industry to advise on the measure in detail.

Under the plan, for every £1 of cover taken out to pay for the cost of places in residential and nursing homes - or for care in an individual's own home - the elderly would be able to keep £1.50 or possibly £2 of their assets free from the means-tests applied to such care.

The move comes as growing numbers of elderly people are having to sell their homes to pay for care in old age.

That has hit a traditionally Tory-voting constituency, many of whom believed their taxes had paid for such care.

Kantor says Pittsburgh conference underlines support for peace US reopens N Ireland business drive

By Anne Counsel in Washington

The US will this week step up its efforts to support the peace process in Northern Ireland through promotion of American investment and business involvement.

Sir Patrick Mayhew, the chief Northern Ireland minister in the British government, will today join senior US trade officials and businessmen in Pittsburgh in an initiative to promote commercial development in Northern Ireland and the

neighbouring counties in the Republic of Ireland. A senior figure in the government of the Republic of Ireland is also likely to attend.

Senator George Mitchell, special advisor to the US president on Ireland, will attend the meetings and is expected to review recent developments in the peace talks.

"This conference comes at an important time in the peace process - a time in which we have witnessed some setbacks," Mr Mickey Kantor, the US commerce

secretary, told the Financial Times. "But the peace process continues. That means it's all the more important that we move forward with our support for peace, working with business to promote trade and development to build economies and create jobs."

The US "business match-maker" programme will bring together potential US and Irish partners to discuss joint ventures, licensing and other opportunities in specific sectors. There are more than 400 US companies in

the Republic of Ireland and more than 80 US ventures in Northern Ireland.

In co-operation with Irish development agencies and community organisations, the US Department of Commerce has focused on the promotion of further US investment in information technology, food industries, manufacturing, services, tourism, health and environmental technology.

The US initiative is within a package of measures announced by US President Bill Clinton in November

1994 after ceasefire declarations by the Irish Republican Army and anti-nationalist paramilitary groups. Mr Clinton's visit to Northern Ireland in late 1995, the first by a US president to the region, included a US business development mission to foster commercial ties.

Mr William Ginsberg, assistant secretary at the US Commerce Department, said the US business programme had been backed by community groups in Belfast and other areas of economic deprivation.

Credit card issuers target companies

By George Graham, Banking Correspondent

UK Visa card issuers hope to get approval from Customs & Excise next week to take the plastic payments card into company purchasing departments.

Although individuals are now more likely to use a credit or debit card than a cheque book for their personal payments, corporate buyers have had to stick to paper purchasing orders and invoices because of their need to keep detailed documentation for their value added tax calculations.

Visa has been conducting a trial with Barclays, National Westminster and Midland banks to see if it can produce a monthly VAT report that will satisfy Customs. The banks are hoping for approval on October 18.

Card issuers say the UK would be the first country in the European Union to allow electronic VAT documentation of this sort, though a pilot is now under way in Germany.

Norwegian gas import talks to resume

By Robert Corzine in London

Britain and Norway are to re-open stalled talks over the future of Norwegian gas exports to the UK in a move that could exacerbate the present gas surplus in the country.

Lord Fraser, the new British energy minister, has made the conclusion of a new gas agreement with Oslo a high priority. The UK government believes that the present impasse, which has led in effect to a ban on new Norwegian gas imports through the Frigg pipeline, threatens its credibility in arguing for

greater competition in European Union gas markets. The lack of liberalisation in the western European gas industry is one of the most glaring gaps in the single market, and is the subject of current talks among a number of EU governments.

UK officials believe Norwegian gas could also play a part in ensuring that there are plentiful supplies of cheap gas to underpin the planned opening of the UK's own domestic market to full competition by 1998.

Lord Fraser is said to be confident that an early agreement can be reached with Norway, which as

recently as 1985 supplied about 27 per cent of UK gas demand. But a sharp increase in UK gas production and the refusal of the British government to authorise new gas imports has caused this to fall to only 2 per cent of the market.

It is uncertain whether any new deal will result in large gas supply contracts for power stations or other industrial gas users. The UK gas industry is putting pressure on the government to force Norwegian producers to focus on more modest niche markets.

In August a senior British Gas

executive suggested that "there may be room for Norwegian gas in the UK long before the supply/demand balance appears to indicate", provided Norwegian producers were willing to offer "flexible supply arrangements to meet peak winter demand."

Such imports could prove useful in eliminating some of the unintended side effects of gas market liberalisation. In recent months the government and Ofgas, the industry regulator, have become increasingly concerned that prices on the evolving gas spot market can be manipulated by North Sea gas producers.

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THIS WEEK

Public nature of Italian privacy

Italian words rarely manage to cross linguistic frontiers. The language is too introspective, the society too conservative. One of the few such words to enter the international vocabulary is *paparazzi*, curiously a plural, not a singular (*paparazzo*). This is now the accepted term for those photographers who, with prying lenses, are determined to unmask the rich and famous in their most private moments, making a fortune in the process.

The expression evolved from Rome's Cinecittà heyday in the late 1950s and early 1960s, when horde of cameramen pestered film stars, using any ruse to get the right shot of celebrities stepping out of nightclubs on the Via Veneto or relaxing by pools in grand villas of the Appia Antica. The photographers then tended to go in packs, hence the *paparazzi* rather than *paparazzo*.

One suspects the word was internationalised once Cinecittà declined and glamour was found elsewhere. But having invented

the intrusive photographer, both Italian law and society have been slow to address the problems created by invasion of privacy.

Plenty of laws exist which can be used to protect various aspects of privacy. However, Italy's courts have been reluctant to apply them; when applied, loopholes have always been found.

As a result most people - even the rich and famous - feel they have very little real protection. Meanwhile, newspapers and magazines, though often piously taking the moral high ground, are more than willing to hand out large sums for any photographic scoop. Indeed, so many people in the public eye have been pried upon that it is scarcely an issue. Even those who protest lap up the *paparazzi's* work when it does not directly affect them.

Since the summer, however, a new and potentially more serious

DATELINE
Rome:
 The land that invented the *paparazzi* is now wondering how to embrace the concept of privacy, reports Robert Graham

privacy problem has emerged. Following the arrest and imprisonment last month of Lorenzo Necci, head of the Italian railways (FS), on charges of alleged corruption, newspapers and magazines have been running pages of transcripts of taped conversa-

tions linked to the case. Some of these conversations come from telephone taps, others from secret directional microphones planted by the police. All are highly entertaining; not least because so many prominent people have been dragged into the conversations, shedding a fascinating light on the behind-the-scenes manoeuvring of the Italian establishment.

The most colourful tap concerns Francesco Pacini Battaglia, an Italo-Swiss financier caught in earlier corruption scandals and in prison since last month on a string of fresh alleged corruption charges. In between bragging and malicious, vulgar gossip, he is heard discussing who should be in and out of government, preparing to remove inconvenient managers of key state companies (most notably Eni, the national oil group), influencing politicians

and arranging bribes. The rich flow of transcripts has been sustained for a month now - partly on the grand claim of public interest but also because editors believe this is what the public wants. Little thought is given to defamation or the reputations of those people (including several important politicians) whose names have appeared in the conversations, even though they are not under investigation.

But a controversy about privacy has been sparked by two elements. The less important stems from a conversation in February this year between Pacini Battaglia and Alessandra Necci, daughter of the head of the railways, in which the Italo-Swiss financier sets up a vague consultancy job for the young inexperienced Ms Necci, fixing a salary of \$100,000 (\$64,102).

The conversation was widely

reproduced, usually with all the irrelevant personal details. Ms Necci's mother reacted with outrage to the intrusion.

The press was unrepentant, arguing that publication illustrated a pervasive climate of favours and reminding the mother that not every young woman could aspire to such a salary for apparently doing so little. While true, such justification has failed to conceal growing unease among some politicians and jurists that the family of an arrested man should not be dragged into the public eye to be treated as guilty when they have been neither charged nor directly implicated in criminal proceedings.

That touches on the larger controversy. The transcripts published in recent days have included the names of at least 50 prominent politicians, state man-

agers, lawyers and businessmen. Often they are referred to most casually. But the mere fact they are mentioned by a man under arrest on corruption charges tends to imply guilt by association.

In this way, the release of these recordings provides a formidable opportunity to damage the reputations of prominent people. The blame for the release of the transcripts has tended to be placed on the investigative magistrates who ordered the taps. But this is by no means always true, since disclosure is built into the judicial process, and the 1988 rules on pre-trial secrecy are lax.

The easiest way to remedy matters would be to tighten pre-trial secrecy with tough sanctions for those who break the rules. But the political parties are divided as to how to go about this, though they all talk about a new law of "privacy".

It is a neat turn of the circle that the *paparazzi* should be exported from Italy, and the concept of privacy imported.

The Monday Profile: Leif Johansson, Electrolux

White goods prophet warning

This summer, Leif Johansson has had a new toy. It is a robot vacuum cleaner which navigates his house by means of sensors and cleans up while he has a shower or does the cooking. "I am very enthusiastic about it. It does what it is supposed to do," says Johansson.

As the 45-year-old chief executive of Electrolux, based in Sweden and one of the world's two biggest makers of domestic appliances, Johansson is regarded as a rising star of the European business community.

He holds strong views on reducing the impact on the environment of the 60m appliances his company will sell worldwide this year, and also frets at what he regards as the ossified state of European society which, in his view, is damping entrepreneurship and pushing unemployment to unacceptable levels.

This year Electrolux, which vies with Whirlpool of the US as the international No 1 in its field, will sell its washing machines, dishwashers, lawnmowers and other appliances in some 20,000 variations in roughly 90 countries. Bewilderingly, the products are sold under about 40 brands, including such names as Zanussi, AEG, Frigidaire and Flymo.

Presiding over this complex empire, the physics-trained Johansson thinks there are "great opportunities" for transferring technical ideas between the different parts of his company. A favourite is the electronic guidance principles behind the robot cleaner - which he thinks could be available commercially for about \$350 (\$546) within two years - and which can be applied to lawnmowers.

One such product, which runs on solar-powered batteries, is already on sale through Electrolux's Husqvarna subsidiary for about £2,000. The machine works out the dimensions of people's lawns and decides what height to trim the grass.

Of Electrolux's annual domestic-appliance sales of some



SKr100bn (£9.65bn), 30 per cent is in the developing regions of South America, Asia and eastern Europe. Johansson says the proportion will rise closer to 40 per cent early next century.

In developing regions, Johansson is extremely keen to link principles of environmental soundness to good business practice. In China and India, in particular, where the domestic appliance market is growing by up to 15 per cent a year (it is only 3 per cent or less in the west) there are "fantastic" growth prospects for his company, he says. "But for the industry to expand in the ways we anticipate, the Chinese

and Indians have to move to new technologies. Otherwise they will simply not have enough water and energy to use the products."

Johansson admits that Electrolux's new products, which use low-energy motors and a combination of recycling and novel spray techniques to cut water usage, will, initially, be more expensive than the old ones. But he says they fit in with the developing nations' own long-term priorities. "I discussed this recently with a [business] delegation from Shanghai. They want the latest washing machines, but they are also trying not to build too many new power stations."

National differences are important - in ovens in particular. "In Europe, ovens add up to a complex picture, because of the variety of cooking methods. In Britain, people want to grill tomatoes and bacon; the Swedes like to bake ginger cookies; and in Germany they like their roast beef."

But there is a way of achieving standardisation. Electrolux is borrowing ideas from the automotive industry in building ovens to the same basic "platform" - equivalent to a car chassis - and then "customising" them for specific markets. "While we used to have nine oven platforms in Europe, by the end of this year we will have only three," he says.

Despite his reputation for long-term thinking, not everyone warms to the Electrolux chief, who joined the company in 1975 and took over his present job in 1994. Some investors are concerned about the share price, which has underperformed the Swedish bourse by about 35 per cent since 1992. They say Johansson has been insufficiently hard-nosed about trimming costs to compensate for economic weaknesses in the company's main markets in Europe and the US.

Johansson can fairly point out that most makers of white goods are struggling to maintain margins against heavy competition and weak consumer spending in much of the industrialised world.

But he appears more worried about the social aspects of Europe's low growth than any specific impact on shareholders. Calling for ways to give "more incentives" to entrepreneurs in Europe, he says: "In Europe we have grown used to 10-12 per cent unemployment. Our welfare systems are providing benefits for unemployed 40- to 50-year-olds, but not doing a lot for younger people. I think younger people in Europe will create a revolution unless we do something about it."

Peter Marsh

FT GUIDE TO Bond markets

What is happening in bond markets? Are prices going up or down? Bond prices have risen, especially in recent weeks. Fears about inflation held back the US market in the first half of this year, but last month's decision by the Federal Reserve Bank not to raise interest rates has reassured investors. Friday's weak US employment data also helped. Many other bond markets are performing even more strongly. Italian, Spanish and other European high-yielding bonds - so-called because they yield more than low-risk German bonds - have benefited from what economists call "convergence".

Hold it. What is convergence? In order to meet the Maastricht criteria for monetary union, European Union members must cut their fiscal deficits to no more than 3 per cent of gross domestic product, reduce debt levels towards 60 per cent of GDP and keep inflation low. Most European governments have been making progress on these fronts, bringing inflation and interest rates lower.

That has made their bonds more attractive to investors and prices have risen. In Italy, the best-performing market, prices have risen at a dizzying pace because investors now believe Italy could become part of EMU in 1999. Only a few months ago it was assumed that Italy would not join the single currency at least until 2002.

Elsewhere? Germany and France are doing well, mainly because inflation is low and government spending under very tight control. But the really big news this year has concerned bonds issued by borrowers from the emerging markets.

But I thought emerging markets were risky? You'd be surprised. There has been a big improvement in the credit quality of many of these borrowers, as a result of lower inflation, faster growth and economic liberalisation. Rating agencies, which assess borrowers' risk of default, have upgraded the credit ratings for several emerging market borrowers this year for that very reason.

How have emerging market bonds performed? Very well indeed. Last month, Brady bonds - issued several years ago by governments in exchange for distressed commercial bank loans - reached their highest-ever levels. An index of emerging market bonds, compiled by J.P. Morgan, the US bank, shows that investors in emerging market bonds have gained total returns - reflecting capital gains and interest payments - of 26.7 per cent so far this year, as compared with 2.1 per cent for those investing in government bonds.

What does all this mean for borrowers? Although there is some uncertainty in the markets about inflation, interest rates remain relatively low. Some borrowers have been taking advantage of this as they are keen to cash in on lower funding costs. Commercial borrowers are simply adopting the same approach as a household holder who takes out a fixed-rate mortgage at a time of low interest rates as protection against a possible rise in rates later on.

How much money has been raised on the bond markets this year? The volume of bonds issued by banks, companies, governments and agencies like the World Bank has broken all previous records - and 1996 isn't even over yet. According to Capital Data Database, a markets database, international companies and agencies raised about \$509bn (£326bn) in the first nine months of the year.

Which borrowers have benefited most? Private companies and banks have been able to secure very cheap funding, which should help them expand. Less creditworthy borrowers have also done well. When interest rates are high or financial markets unstable, such borrowers can find themselves excluded from bond markets. But as yields fall on less risky assets, investors are more interested in the higher yields paid by these borrowers. This yield premium compensates investors for the higher risk that the borrowers might default, the so-called "credit risk".

Borrowers from Latin America and eastern Europe have been prominent in the market this year. Poland, for example, recently paid only about half a percentage point more in interest on its bonds than the German government. Mexico, the Philippines and Argentina have seen their borrowing costs plummet and have been able to borrow funds over much longer periods.

So what can go wrong? Plenty. Central banks will eventually increase interest rates as part of their strategy to keep inflation at bay. The US Federal Reserve is expected to increase rates later this year, for example, once the presidential elections are out of the way.

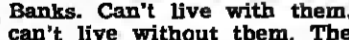
How about the longer term? Inflation may fall as governments keep a tighter rein on monetary policy and public spending, but it could also rise. Faster world economic growth could put pressure on the prices of commodities like oil and metals. After all, inflation in the 1970s had a lot to do with increases in raw materials prices. All that would put the skids under bonds.

Conner Middelmann and Richard Lapper

Stephanie Flanders • Economics Notebook

Banks and the wealth of nations

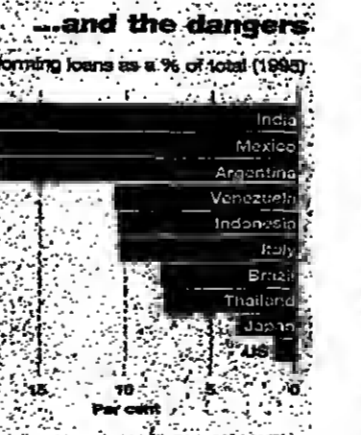
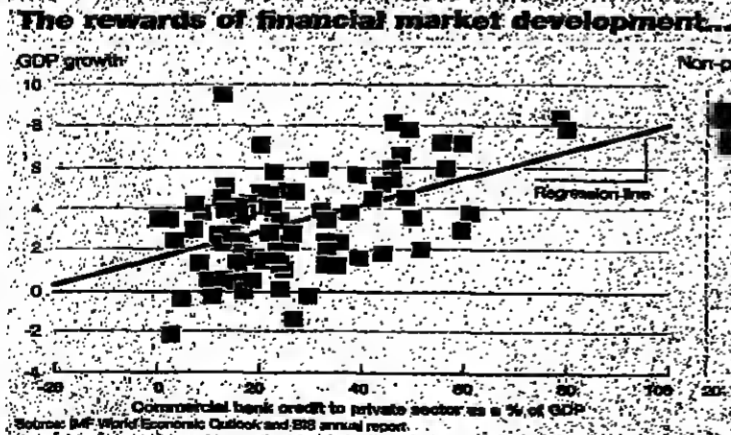
IMF advice to developing countries seems at times inconsistent



Banks. Can't live with them, can't live without them. The International Monetary Fund posed the dilemma more eloquently last week in its annual *World Economic Outlook*. But that was its basic message for poor countries seeking to get ahead in global capital markets. Poor countries cannot hope to get by without banks because they are the main way to get funds from people who don't know how to use them productively to people who do. As the graph shows, banking sector development and economic growth tend to go hand in hand. Greater availability of finance spurs investment and growth. Growth promotes savings and, thus, higher bank deposits.

Yet the relationship is not antireciprocal. The report argues that countries with a high initial level of financial development have generally experienced faster growth thereafter. From this one might think it followed that an emerging country should liberalise its financial sector as soon as possible. After all, deregulation and capital market opening does not simply enhance access to external funds. It also encourages greater competition and efficiency domestically.

And yet, looking around the world, you would be forgiven for thinking that liberalised banking systems had been more troubled than they were worth. All of the recent financial crises in developed countries - including the US savings and loans fiasco and the ongoing banking crisis in Japan - had their roots in



well-meaning attempts to increase efficiency through banking deregulation. The pitfalls of liberalisation have been even more apparent in emerging markets. For all that benefits, the IMF admits that banking reforms have also often led to banks being inadequately capitalised and poorly managed, and given them a greater incentive to offer above-market interest rates to attract resources and engage in riskier loans.

Foreign exchange exposure poses a special problem in a more open, emerging financial system, as companies and banks with access to cheap foreign borrowing may become extremely vulnerable to a currency devaluation. That gives the domestic authorities reason to forestall necessary adjustments and, when they finally take place, exacerbates effects.

The Mexican crisis was a case

in point. A long post-liberalisation lending spree had left the domestic banking sector in a fragile state. In the face of declining confidence in the peso, the monetary authorities delayed increasing interest rates - or devaluing the currency - because of fears of the consequences for the banks. When the crunch came, banking sector balance sheet problems greatly increased the costs of the crisis, both for taxpayers and for the economy at large.

That the IMF should now be stressing the importance of a sound banking sector may be a bit galling for those countries which thought that in freeing up the banks they had been following the IMF's advice. But in theory, at least, it has always argued that governments needed to strengthen banking regulation and supervision at the same time. The difference, perhaps, is

that now both the IMF and its clients may take the advice more seriously.

The report puts particular stress on the need for effective capital adequacy standards, comprehensive evaluation of bank assets - "to ensure that solvency problems are not concealed by poor accounting" - and careful monitoring of foreign exchange exposure of domestic financial institutions.

The \$40bn question for those that lived through the Mexican crisis is whether countries or investors have learnt their lesson. The IMF's annual report on international capital markets, which was also published last week, noted approvingly that international investors seemed to be paying more attention to the relative soundness of domestic banking systems and countries' overall financial infrastructures in deciding where

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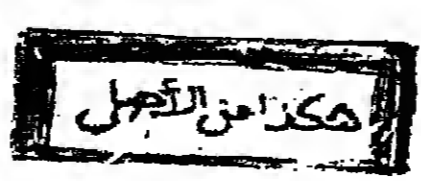
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FINANCIAL TIMES COMPANIES & MARKETS

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Monday October 7, 1996

Italy to reveal size of Eni offer

By Robert Graham in Rome

The Italian treasury will today set in motion the second phase of the privatisation of Eni...

The treasury has been looking at selling off between 15 and 25 per cent of Eni...

This will be Italy's biggest privatisation this year. The main difficulty has been gauging the mood of the market...

Government officials recognise it is crucial to get both the size and pricing of the offering right...

Last month the treasury said it would be offering discounts to Italians to make the new Eni shares more attractive...

A year ago the treasury sold off the first tranche of 15 per cent, earning 16,300bn...

The offer price is due to be announced on October 26.

Eurotunnel banks to gain 49% stake

By Andrew Jack in Paris and Geoff Dyer in London

Eurotunnel is today expected to announce that its banks will convert £2bn (\$3.1bn) of their £9bn loans into equity...

The 225 creditor banks will gain slightly less than 49 per cent control in the group as a result of the conversion...

Much of the rest of the outstanding debt will be converted into a range of financial instruments designed to reduce Eurotunnel's crippling interest bill...

The refinancing deal comes after the company and its banks reached an agreement on Tuesday last week...

The conversion price into equity - at not much more than FF10 a share - is lower than some analysts had expected...

The price has been calculated using Eurotunnel's latest projections of future revenues, based on an analysis of the economic worth of the company...

its suspension last Monday. The deal may spark anger from the more radical investor groups...

Those close to the discussions also stress that under current plans, shareholders should receive dividends within 10 years...

of 20 or more years circulating recently. If the banks convert all their other outstanding instruments into equity...

Trading in Eurotunnel's shares is expected to begin again tomorrow, and analysts expect the price to fall, although this will partly depend on the eventual level of dilution...

be implemented, they must be accepted by all 225 banks in the lending syndicate...

Today's announcement, accompanied by three separate documents explaining the terms of the deal, will be made simultaneously in London and Paris...

John Gapper reports on attempts to unravel the facts of the Morgan Grenfell debacle

Investigators hunt for fallen star's motives

W as Mr Peter Young mad or bad? Investigators have been trying to answer this question since the star unit trust manager was dismissed by Morgan Grenfell Asset Management last month...

Ernst and Young's attention has centred on a web of Luxembourg holding companies set up by Mr Young, with the help of a Swiss legal firm called Wyler & Wolf...

Mr Young's apparent motive for this was that he was so keen to invest in a number of technology companies that he used the holding companies to conceal exactly how much of these technology companies was held in the two unit trusts...

The first three were set up in August 1995, when Mr Young came close to the 10 per cent limit. On the face of it, Morgan Grenfell owned between 5 and 10 per cent of these companies...

However, fraud investigators from Ernst and Young, led by Mr David Sherwin, have also been examining the possibility that Mr

Young gained financially from his deception. Mr Young has firmly denied any such illegal activity...

Like a genetic structure missing a gene, there is an oddity in the Luxembourg holding companies. On December 22 last year, Mr Young set up a company called Lita Produktion...

He did so deceptively simply, by setting up half a dozen pairs of unlisted holding companies.

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However, fraud investigators from Ernst and Young, led by Mr David Sherwin, have also been examining the possibility that Mr

investments. The end result was that the unit trusts secretly held substantial proportions of many companies around the world.

Mr Young used a similar technique earlier this year when he set up fresh group of paired companies so that he could switch investments around, giving the impression that he was reducing his unlisted holdings...

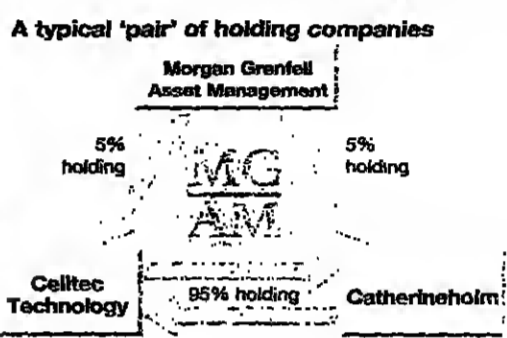
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Peter Young's web of deception



Luxembourg holding companies Incorporated August 1995: Waterprod, Logveet Technology, Scanditisch, Horten Technology, Systeminvest, Mat Tec

Incorporated January-July 1996: Oranmed, Alutix Mining, Cellitec Technology, Medtech, Sandivest Petroleum, Catherineholm

Incorporated December 22 1995: Lita Produktion

Russ Oil and Technology Registered headquarters Luxembourg: Capital Subscribed capital SK400,000 in 25,000 shares. Directors: Luxembourg Corporation Company, Marco Wolf, Juerg Wyler

Board meeting of February 28 1996: Capital doubled through issue of 25,000 new shares. Paid in by Morgan Grenfell Nominees (Jersey) Ltd by contribution of one SK100,000 bond convertible into Sensonor shares

shares and may only constitute a small proportion of Russ's equity.

This mystery is deepened by a transaction last February in which Russ's capital was doubled, using a convertible bond in shares of Sensonor...

The second mystery is what Russ owns. Investigators have so far found only a holding of warrants in Xavier Corporation, a Houston-based oil exploration com-

pany. Mr Young had invested heavily in Xavier for his unit trusts, and the warrants were part of a re-financing carried out in December 1995.

Xavier's directors have looked into its conduct and have concluded that it acted correctly. Mr Chris Dittmar, chairman of Xavier, says it issued two warrants to Russ Oil after being told that it was affiliated to Morgan Grenfell...

If Mr Young does own Russ Oil, then he owns these warrants. They have no immediate value. Since Xavier's shares would have to rise to \$3.50 from their current \$2.50 for them to be worth exercising...

UK and China poised for listing accord

By John Ridding in Hong Kong and Sophie Roof in Beijing

The UK and China are set to sign an agreement in Beijing today which will clear the way for the listing of Chinese companies on the London Stock Exchange.

The accord, to be signed in the Great Hall of the People, marks the latest step in China's drive to develop new sources of funding for its companies and should lead to improved access to Chinese equities for UK investors.

Chinese companies are already listed in Hong Kong and New York and agree-

ments are in place for listings on the Singapore and Sydney stock exchanges. With 21 companies quoted, Hong Kong is the largest market for mainland issues...

However, bankers predict Chinese companies will look increasingly to dual listings in Hong Kong and other markets, such as London. They add that the London market could provide advantages for certain Chinese issues.

Mr Arthur Ng, head of corporate finance at NM Rothschild in Hong Kong, says:

"The companies going to London may be in specialised areas, such as mining or energy, where there is already a good industry understanding in the market."

The memorandum of understanding will be signed today by the China Securities Regulatory Commission - which selects candidates for overseas listings - the UK's Securities and Investments Board and the Treasury. It has been under discussion since 1994.

Bankers are tipping Datang Power, an electricity generating company supplying power to three cities in north-eastern China, includ-

ing Beijing, as a front-runner for the London market. Several others, including Jiangxi Copper, are also pushing to issue shares in London and Hong Kong.

Investment analysts in Hong Kong cite growing UK investor interest in Chinese companies. "There is now a broad awareness of China's rapid economic expansion," says one investment banker.

"London listings would ease investment because of the time difference with Hong Kong and also because UK investors would be more

familiar with London stock exchange regulations," he added.

Others, however, warned of the experience of Chinese listings in New York, which include two large power companies. "Liquidity has been a big problem," says the China analyst at one Hong Kong-based US bank.

"There was a lot of euphoria initially, but we found that most of the trading moved back to Hong Kong quite quickly."

STATISTICS

Table with 2 columns: Metric and Value. Includes Base lending rates, Company meetings, Dividend payments, FTSE 100, FT Guide to currencies, Foreign exchanges, London recent issues, London share service, Managed fund service, Money markets, New int bond issues, World stock mkt indices.

COMPANIES IN THIS ISSUE

Table with 3 columns: Company Name, Page Number, and another Page Number. Includes 600 Group, Anglo American, BTR, Barclays, Bre-X, British Gas, CIC, Gray Computer, Eni, Eurotunnel, Fortis, Gazprom, Gemina, Global One, Kirch, Kleinwort Benson, MeesPierson, Midland Bank, Morgan Grenfell, Multimedia Inv., NatWest, Plisson, Rentokil, SE-Banken, Seat, Sieba, State Bank, India, Traub, Volkswagen.

UK engineering group set to revamp components side

By Tim Burt

Sieba, the UK-based controls and appliances maker, is today expected to unveil a reorganisation of its automotive activities to take advantage of consolidation in the components industry.

The company, which claims to be the UK's largest diversified engineering group, is creating a new automotive division employing 6,000 workers at 25 manufacturing sites in Europe, the Pacific Rim, North and South America.

It will be part of Sieba's temperature and appliance controls arm, competing with the UK's TI Group, and ITT and Eaton Corporation of the US.

Mr Allen Yurko, chief executive, said the move showed Sieba was determined to be part of the trend

towards systems integration, in which carmakers are asking component manufacturers to supply entire sub-systems ready for assembly.

"We are bringing together our fluid systems and controls activities. It's relatively earth shattering for the businesses involved," according to Mr Yurko.

The operations forming Sieba Automotive are expected to contribute combined sales of about £400m (\$624m) a year, 15 per cent of the group total.

In the past year, Sieba has spent more than £100m on increasing its presence in the automotive industry, where it manufactures tubular fluid systems, valves, thermostats and sensors.

"This fits our strategy of building global businesses and ensures our compliance with initiatives by leading vehicle manufacturers to rationalise their supplier base in preference of global suppliers."

Operating margins at the new division are expected to exceed 10 per cent, with a return on assets described by managers as "high double digit".

Existing customers include volume vehicle manufacturers such as Ford, Toyota and General Motors, and specialists including Porsche of Germany.

Increased demand from such manufacturers helped lift Sieba's profits from £275.1m to £331.1m in the year to April 1. The company is this year expected to report increased profits of about £430m.

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COMPANIES AND FINANCE

BTR steps up joint venture deals in Asia

By Ross Tiersan

BTR is about to conclude three new joint venture agreements in Asia as new-broom chief executive Mr Ian Strachan steps up his drive to win 15 per cent of the group's sales from emerging markets.

The deals are designed to enable three of BTR's new core activities, automotive components, packaging and power drives, to achieve faster growth through global specialisation.

In a presentation to analysts, Mr Strachan acknowledged the days of mega-takeovers that gave the conglomerate annual sales of £10bn are over. He is refocusing the group to achieve organic growth through investing in what it does best. But analysts worry that the group's profit margins and cash generation are likely to be eroded during the transition to a strategy of more long-term growth.

The first deal is expected to be in automotive components, where BTR has sales of £1.15bn and operating profits of £144m last year.

Mr John Thompson, main board director responsible for automotive, said: "I would hope that in a couple of weeks we will be able to announce a joint venture that will take us into sealing systems in China."

The joint venture comes only months after BTR took effective control of China's largest manufacturer of vehicle anti-vibration systems. That deal, in BTR's other key area of automotive technology strength, brought

with it agreements to supply Volkswagen Audi, now the biggest carmaker in China.

In packaging, where BTR already controls China's largest manufacturer of PET bottles, Great Wall PET, the group is poised to announce a second joint venture agreement.

BTR is also seeking to expand in India. Mr Psul Buisse, director responsible for BTR's £980m-a-year Power Drives business, said: "We are hoping to announce a major joint venture in India before the end of the year."

The group's Process Control arm, under Mr Chris Burns, is also seeking joint venture opportunities in India, where it wants to manufacture industrial batteries and valves.

The four new core businesses areas where BTR is focusing its growth drive, each overseen by a main board director, already account for £4.3bn of annual sales. Together with three regional groups: specialist engineering, building products and polymer products, they will make up Mr Strachan's "new" BTR, earning profits of £1.4bn on sales of £7bn.

The massive disposal programme unleashed by the former RTZ executive is now that will take us into sealing systems in China."

Yesterday, BTR completed the disposal of Dunlop Aircraft Tyres, which employs 200 people in Birmingham and has annual sales of £13m, in a £10m deal to a group of investors backed by 3i, the venture capital group.

Kleinwort refutes fund claims

By Roger Taylor

Kleinwort Benson confirmed yesterday that it had informed the financial regulator, IMRO, about a number of allegations being made against it by a former employee, Mr Mark Horn, all of which it denied.

Mr Brennan Horvath, chief investment officer at Kleinwort, said Mr Horn, a European equities fund manager, had been dismissed on Friday because of his "refusal to accept instructions from management". He added that there were no implications for the funds under Mr Horn's control.

"The reasons for the dismissal were to do with his personal conduct. There is absolutely no suggestion of impropriety concerning the running of the funds," he said.

Kleinwort is believed to have disapproved of Mr Horn's behaviour at public meetings where he is said to have pursued lines of argument which Kleinwort did not feel were in the interests of investors.

Mr Horn has accused the investment house of allowing its corporate finance arm to influence the decisions of the investment management side. Financial regulations require that "Chinese walls" between departments prevent this from happening.

Kleinwort is confident that investigations by IMRO will quickly establish there is no substance to the allegations. It will then decide whether it needs to take any further action against Mr Horn.

Big numbers from the small investor

John Authers explains why market watchers await the cash flow figures from mutual funds

Investors are likely to receive the latest US producer prices information this week, but attention on Wall Street is likely to focus on a different indicator - cash flow into mutual funds for September.

The monthly injection of vast sums into the market by small investors has reached such heights in the past two years that it has become one of the most closely watched market statistics. This money is widely seen as the main, possibly the only, factor underpinning the market's record gains of the past year.

Net new cash flow into equity funds for the year to the end of August was \$161.7bn, already well ahead of 1995's record of \$128.2bn.

Monthly totals for September, when the stock market logged a strong performance as fears of base rate rises proved unfounded, are expected to rise again, with managers reporting daily sales between 5 and 6 per cent higher than August.

Nobody suggests that inflows will reach the all-time record of January, when funds took \$28.9bn.

But they have recovered decisively from the low of \$6.7bn in July, when the market endured a correction, and seem set to continue at levels considered unthinkable even two years ago.

This supply of cash is regarded as the saviour of the US stock market, but it has given rise to two fears. The first is that the fund managers have literally more money than they can spend. On this argument, they would either allow funds to become too liquid, with high holdings in cash - also a precaution against heavy redemptions - or bid up prices beyond prudent levels.

Liquidity figures from the Investment Company Institute show equity funds do indeed have a lot of cash on deposit. At the end of August, they held \$110.3bn in cash, out of total assets of \$1,531.3bn. This is a lot of money waiting for a home.

But the liquidity ratio, at 7.2 per cent, is slightly lower than the recent trend. It stood as high as 9.0 per cent in November 1994, and fell below 8 per cent in March 1995. This is still comfortably

enough to guard against heavy redemptions.

A second fear is that high cash flows are bad for fund managers' discipline. There were 5,761 funds at the end of last year, far more than needed to give consumers a good choice. Management companies have concentrated on control of distribution channels for the past few years, possibly at the cost of improving invest-

ment performance.

As Mr Michael Price, the highly respected manager of the Mutual Series Funds, put it last week: "The challenge of the next five years is making sure that investing is more important than pushing product."

But most alarming, and the reason the market watches cash flow figures so closely, is that the money which arrived in such a hurry could be withdrawn just as swiftly in the event of

a bear market. This would push share prices down further.

The industry is now working hard to show that investors faced with a bear market would not react by selling their mutual funds. They have several points in their favour.

The first is that the single greatest source of their new cash in-flows comes from pension savings, particularly 401(k) plans sponsored by employers. This money by definition arrives in regular monthly chunks, and is invested for the long term. Fund companies are normally required to "educate" company workforces, and are careful to make the point that a drop in share prices does not mean they should sell their money.

Demographics are also in the industry's favour. The post-war "baby boom" generation has so far been characterised by heavy consumption, is turning 50. They now have a decade or so to catch up and provide themselves with a pension. This means they will commit their funds regularly, and be

prepared to experiment with relatively risky equities in their bid to catch up.

History also appears to be on the side of mutual funds. The greatest proportionate net outflow of assets they ever suffered took place in October 1987. But even then the sales were not made until the weeks and months after the crash, and came to a net outflow of 4.5 per cent - painful for the management companies' profits, but a figure that could easily be accommodated from funds' cash reserves.

Apart from October 1987, net outflows have never exceeded 1.1 per cent of total assets in one month during a market contraction.

Perhaps this is why fund managers seem genuinely unworried. Many admit sales could fall off as the market's performance grows less spectacular, but see no prospect of mass redemptions. To quote one manager: "People have had a real taste of what kind of money can be made in the markets over a long period of time now. They won't lose that taste in a hurry."

UK group may take control of Traub

By Peter Marsh

The 600 Group, Britain's biggest machine tool company, has expressed an interest in taking control of Traub, the troubled German machine tool supplier which has put itself up for sale.

However, talks between the two have been contingent on banks propping up Traub agreeing to "ring fence" any future acquirer from the company's DM300m (\$302m) debts.

Mr Colin Gaskell, 600 Group managing director, said he had talked to Mr Gerhard Protze, Traub's chief executive, about the part his company could play in setting the future of the German company - which has lost money for five consecutive years. "We would be very interested in the Traub brand name - which is one of the best in Europe," said Mr Gaskell.

In recent weeks Mr Protze has talked to about 10 com-

panies which might be interested in taking over his company or forming joint ventures to ease its crippling cash problems. Apart from the 600 Group no other suitors have been revealed.

The 600 Group, best known for its computerised lathes, has recovered strongly from a weak financial position four years ago - since when it has been among the UK stockmarket's strongest performers.

It turned in profits before tax of £13.4m last year, on sales of £146.3m - most in machine tools.

In discussions between Traub and possible partners much will depend on the position of the consortium of German banks, led by Deutsche Bank, keeping Traub afloat by continuing their lending.

One way out is for the banks to declare Traub bankrupt - in which case it might be possible to write off some of its debts, making

the company more attractive for a potential acquirer.

A potential stumbling block for the 600 Group is its lack of enthusiasm for taking on Traub's large production operations near Stuttgart and in Chemnitz - which the UK company regards as being highly expensive operations due to Germany's high labour costs.

Last year Traub had sales of DM521m, and it incurred a DM16.4m loss in the first six months of this year.

ORDER OF COURT

In the Supreme Court of South Africa
(Witwatersrand Local Division)
Johannesburg, Wednesday, 18 September 1996
before the Honourable Mr Justice Joffe

Case No. 96/21771

In the *ex parte* application of
Bracken Mines Limited
(Incorporated in the Republic of South Africa)
(Registration number 59/01126/06)

Applicant

Having heard counsel for the Applicant and having read the application:

It is ordered that:

- a meeting ("the scheme meeting") in terms of section 311(1) of the Companies Act, 1973 ("the Act"), of the ordinary shareholders of the Applicant, registered as such at the close of business on the day (excluding Saturdays, Sundays and public holidays) immediately preceding the day of the scheme meeting, ("the scheme members"), be convened by the chairman mentioned in paragraph 2, ("the chairman"), who shall fix the time, date and place thereof, for the purpose of considering and, if deemed fit, agreeing to, with or without modification, the scheme of arrangement ("the scheme") proposed by Kinross Mines Limited (registration number 63/06226/06) between the Applicant and its shareholders, registered as such on the record date of the scheme;
- Jonathan Harry Schlosberg, a partner in Bowman Gilfillan Hayman Godfrey Inc., attorneys (Jonathan Harry Schlosberg and Bowman Gilfillan Hayman Godfrey Inc., do not act for the Applicant or Kinross) or, failing him, such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc., be and is hereby appointed as chairman of the scheme meeting;
- the chairman of the scheme meeting is authorised to:
 - appoint scrutineers for the purpose of the scheme meeting;
 - determine the validity and acceptability of any form of proxy submitted for use at the scheme meeting;
 - adjourn the scheme meeting from time to time if he considers it necessary to do so; and
 - determine the procedure to be followed at the scheme meeting and any adjournment thereof;
- this Order of Court and a notice convening the scheme meeting be published by the chairman once in each of the Government Gazette, Business Day, Beeld, the London Financial Times, Rapport and the Sunday Times on a date at least 2 (two) weeks before the date of the scheme meeting. The notice shall state:
 - that the scheme meeting has been convened in terms of this Order;
 - the time and venue of the scheme meeting;
 - that the scheme meeting has been convened to consider and, if deemed fit, agree to, with or without modification, the scheme;
 - that a copy of this Order, the scheme and the explanatory statement in terms of section 312(1) of the Act may be inspected during normal working hours at any time prior to the scheme meeting at the registered office of the Applicant, 8 Holland Street, Johannesburg, or at the Applicant's office in the United Kingdom, 30 Ely Place, London, EC1N 8UA, and at the chairman's office; and
 - that a copy of this Order and the explanatory statement in terms of section 312(1) of the Act may be obtained free of charge on request by any scheme member from the Applicant at the times and places mentioned in 4.4.

6. a copy of:

- the scheme and the explanatory statement in terms of section 312(1) of the Act;
 - the notice convening the scheme meeting in the form of the applicable attachment to Annexure D to the notice of motion;
 - form of proxy in the form of the applicable attachment to Annexure D to the notice of motion;
 - this Order of Court;
- shall lie for inspection at and be obtained free of charge from the registered office of the Applicant and the Applicant's office in the United Kingdom, at the times and places mentioned in 4.4, for at least 2 (two) weeks prior to the date of the scheme meeting;
- the chairman of the scheme meeting shall report the results of the scheme meeting to this Honourable Court on Tuesday, 12 November 1996 at 10:00 or so soon thereafter as Counsel may be heard;
 - the report required by this Honourable Court from the chairman of the scheme meeting shall comply with the requirements of section PE of the Practice Manual of this Honourable Court and without derogating from the generality of the foregoing, details should be given of:
 - the number of shareholders present in person at the scheme meeting;
 - the number of shareholders represented by proxy with information as to the number represented by him in terms of proxies which were annexed to Annexure D to the notice of motion;
 - the number of shares in the Applicant held by all the shareholders;
 - any proxies which have been disallowed;
 - all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast in terms of proxies in the form annexed to Annexure D to the notice of motion;
 - all rulings made and directions given by the chairman at the scheme meeting; and
 - the main points of any other scheme of arrangement which was submitted to the meeting;
 - the chairman of the scheme meeting shall make available (and the notice of the scheme meeting which will be published and sent to the Applicant's shareholders shall include a statement that it is so available) a copy of the chairman's report to this Honourable Court, free of charge to any scheme member on request for it, for at least 4 (four) days from the Tuesday preceding the date fixed by this Honourable Court for the chairman to report back to it; and
 - any scheme member wishing to vote by proxy should tender a proxy in the form of the applicable attachment to Annexure D to the notice of motion.

By Order of the Court

Registrar
18 September 1996

Edward Nathan & Friedland Inc.
Applicant's attorneys
23rd Floor
Senlamsentrum
206 - 214 Jeppe Street
Johannesburg, 2001
(P O Box 3370, Johannesburg, 2000)
(Refer: Mr M Katz/ Mr K W Joselowitz)
Tel. (011) 337-2100

NOTICE OF SCHEME MEETING

In the Supreme Court of South Africa
(Witwatersrand Local Division)

Case No. 96/21771

In the *ex parte* application of

Bracken Mines Limited
(Incorporated in the Republic of South Africa)
(Registration number 59/01126/06)

Applicant

Notice is hereby given that, in terms of an Order of Court, dated 18 September 1996, in the above matter, the Supreme Court of South Africa (Witwatersrand Local Division) ("the Court") has ordered in accordance with the provisions of section 311 of the Companies Act, 1973, that a meeting ("the scheme meeting") of ordinary shareholders of the Applicant (other than Kinross Mines Limited (registration number 63/06226/06) ("Kinross")), registered as such at the close of business on Monday, 4 November 1996 ("the scheme members"), be convened under the chairmanship of Jonathan Harry Schlosberg, a partner of Bowman Gilfillan Hayman Godfrey Inc., attorneys (Jonathan Harry Schlosberg and Bowman Gilfillan Hayman Godfrey Inc., do not act for the Applicant or Kinross), or, failing him, such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc., for the purpose of considering and, if deemed fit, agreeing to with or without modification, the scheme of arrangement ("the scheme") proposed by Kinross between the Applicant and the holders of its issued shares (other than Kinross) ("the scheme shares").

The scheme meeting will be held at 10:30 (South African time) on Tuesday, 5 November 1996, in the Lecture Room, 1st Floor, 6 Holland Street, Johannesburg.

A copy of the scheme, the explanatory statement in terms of section 312(1) of the Companies Act, 1973 explaining the scheme, the notice concerning the scheme, the form of proxy, and the Order of Court convening the scheme meeting are included in the circular sent to shareholders and copies may, on request by any scheme member, during normal working hours be inspected at or obtained free of charge from the registered office of the Applicant, 8 Holland Street, Johannesburg, at the Applicant's office in the United Kingdom, 30 Ely Place, London, EC1N 8UA, and at the chairman's office.

Each scheme member may attend, speak and vote in person at the scheme meeting or may appoint any other person or persons (who need not be shareholders of the Applicant) as a proxy or proxies to attend, speak and vote in such scheme member's place.

The necessary form of proxy (brown) is included in the circular sent to shareholders. Additional forms of proxy may be obtained on request from the registered office of the Applicant and its office in the United Kingdom as set out above.

Each signed form of proxy must be lodged with or posted to Consolidated Share Registrars Limited, 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2107) in South Africa or Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU in the United Kingdom, so as to be received by no later than 10:30 (South African time) on Monday, 4 November 1996 or handed to the chairman of the scheme meeting by no later than ten (10) minutes before the time for which the scheme meeting is convened.

Where there are joint holders of scheme shares, any one of such persons may vote at the scheme meeting in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders be present or represented at the scheme meeting, that one of the said persons whose name stands first in the Applicant's share register in respect of such shares and his proxy, as the case may be, shall alone be entitled to vote in respect thereof.

In terms of the Order of Court dated Tuesday, 18 September 1996, the chairman of the scheme meeting will report the results thereof to the above Honourable Court at 10:00 or so soon thereafter as Counsel may be heard on Tuesday, 12 November 1996. A copy of the chairman's report to the Court will be available on request (free of charge) to any scheme member at the chairman's office, and the registered office of the Applicant and at the Applicant's office in the United Kingdom at the time and place mentioned above for at least 4 (four) days from the Tuesday preceding the date fixed by the Court for the chairman to report back to it.

The scheme is subject to the fulfillment of certain conditions precedent stated in the scheme, one of such conditions being its sanction by the above Honourable Court.

Jonathan Harry Schlosberg
Chairman of the scheme meeting

Attorneys to the scheme
Edward Nathan & Friedland Inc.
23rd Floor
Senlamsentrum
206 - 214 Jeppe Street
Johannesburg, 2001
(P O Box 3370, Johannesburg, 2000)
(Refer: Mr M Katz/ Mr K W Joselowitz)
Tel. (011) 337-2100

COMPANIES AND FINANCE

MeesPierson strengthens Fortis

By Gordon Cramb in Amsterdam
Fortis, the Belgian-Dutch insurance and savings institution, is to gain a strong presence in the Netherlands' securities markets...

hensive equity research and trading, corporate finance and asset management, as well as private banking for rich individuals. This will add to its existing activities in life and general insurance and retail deposit taking.

operations, notably through London stockbroker Hoare Govett, and the units often found themselves competing. It said it was convinced "MeesPierson's growth potential is best served as a member of the Fortis group"

tion in the group culture". After agreeing terms with ABN Amro, this may be his main remaining problem.

INTERNATIONAL NEWS DIGEST

Contest intensifies in CIC bidding

Bids for the privatisation of CIC, the French banking group, close today amid political debate over its future owner and accusations of industrial espionage.

At least a dozen potential buyers are believed to have expressed interest in the sale, and many have inspected sensitive financial information on CIC in a "data room" in a secret location in Paris over the last few weeks.

The proposed sell-off has caused concern among a number of the 11 highly-autonomous French regional banks within the CIC group, some of which have discussed the alternative idea of a "mutualisation" funded by stock market listings to prevent the group falling into the hands of a rival bank.

CIC last week reported net income up 61 per cent at FF933m (\$103m) for the first half of the year, giving it a book value in GAN's accounts of FF14.6bn.

Andrew Jack, Paris

DF-1 seeks to overturn Premiere injunction

DF-1, the German digital satellite television venture owned by Kirch Gruppe, plans to go to court in Munich today to try to overturn an injunction preventing the showing of premium films on its service, obtained last week by Premiere, the German pay-television channel in which Kirch has a 25 per cent stake.

On Friday, Mr Bernd Kumdru, chief executive of Premiere, which has around 1.5m subscribers, said he had sought the injunction with regret. But it was facing "an open attack" by one of its own shareholders.

Volkswagen appoints Belgian to head Seat

By Gracie Cardador and Haig Simonian

Volkswagen, Europe's leading carmaker, is to consolidate its hold over Seat with the appointment of the first non-Spanish chairman of its embattled offshoot.



Pierre-Alain de Smet faces serious problems at Seat

The company is believed to be looking to expand in South America, where Brazil and Argentina are seen as ideal for its youthful style and moderate prices.

However, he faces serious problems at Seat. The company remains heavily indebted and risks confrontation with its entrenched unions in trying to improve productivity.

Split Gemina opens trading

Gemina, the Italian investment company controlled by the salotto buono - the cream of Italy's business community - will today begin trading as two separate entities.

company, Holding di Partecipazioni Industriali (HPI). It will have capital of L1,349bn, reserves of L731bn and cash of L964bn which, under the split, will mean nine out of every 10 old Gemina shares.

controlling Ferruzzi family empire. Fiat, the automotive group and main shareholder in Gemina, would have transferred four chemicals and bio-engineering companies to the enlarged group.

BANK OF GREECE Entrance Examinations for Post-Graduate Degree Holders. The Bank of Greece seeks to recruit high calibre personnel for its Head Office in Athens.

CHARLES TAYLOR GROUP plc. Placing of 11,296,690 Ordinary shares of 1 penny each at 135 pence per share (payable in full on application).

THE FIRST MEXICO INCOME FUND N.V. NOTICE OF DIVIDEND. Shareholders are informed of a dividend of US\$0.40 per share of Common Stock to holders of record as of September 30, 1996.

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The newly established International Market of the Istanbul Stock Exchange in a free zone status, to be precise. Situated at the cross-roads of Asia and Europe, the Istanbul Stock Exchange International Market (ISE IM) will provide issuers with a key market to raise and secure investment funds.

recognition. In fact, every conceivable arrangement has been made to position the ISE IM at the forefront of trading ease and efficiency, with the aim of making it one of the world's most advanced market places.



Istanbul Stock Exchange International Market. For further information, please contact Istanbul Stock Exchange International Market, Istanbul 65060, Turkey. Tel: (90 212) 238 22 71 Fax: (90 212) 238 22 71

COMPANIES AND FINANCE

Plasson £20m IPO founders

By Judy Dempsey
In Jerusalem

Plasson, Israel's largest plastic company, has become the first business casualty of the recent outbreak of violence between Israeli and Palestinian forces, after investors failed to take up £1.5m (\$2m) of a £20m initial public offering. It leaves Plasson short of the London Stock Exchange's minimum float requirement of 25 per cent.

Mr Shachar Gazit from Batnaba Securities and Investments. "And of course, some foreign investors are waiting to see what will happen over the next few days in the political arena," he said. Israeli and Palestinian officials were last night trying to kick-start the peace negotiations in an attempt to put them back on track. Plasson was planning to issue 12.5m shares and raise about £20m as part of a long-term strategy aimed at expanding its operations in Europe. More than 85 per cent of its sales, which last year

totalled £52m, are exported, with Europe accounting for 70 per cent of exports. Net profits were £4.4m. Mr Ashkenazi said about 30 per cent of the shares had already been sold. "Things were going really well until the violence started nearly two weeks ago," he said. Plasson will today reconsider its options when trading resumes. "We now just have to wait and see," said Mr Ashkenazi, whose company, set up in 1972, grew out of the Kibbutz Ma'agan Michael, becoming a world leader in highly specialised injection molded plastics.

INTERNATIONAL NEWS DIGEST

Technology stock index climbs 7%

European publicly quoted technology shares rebounded in August, rising nearly 7 per cent between July 16 and the start of September, according to the European IT Index published by Broadview Associates. The IT Index ended the period at 113.04, compared with 107.1 at the start of August and 105.77 in mid-July. Over the same period, the FTSE 100 Index rose by just over 4 per cent, and the Eurotrack 100 fell 5 per cent, confirming that technology shares recovered faster than other industries. "We have seen the first real hiccup in the quoted IT sector for nearly 18 months," said Mr Victor Basta, managing director of Broadview's London-based European office. "However, even with the sharp correction of some of the best known IT companies, such as Motorola and Netscape in the US, underlying demand for European IT shares continues to be strong."

Broadview's European IT Index tracks the share performance of 430 IT companies from 14 European countries. The top performers were the software products and services and the media and content services sectors, which gained 11 per cent and 9.5 per cent respectively in just six weeks. The latest gain means the index in the content sector has gained 35 per cent since the start of the year, and now stands at 124.91 compared with 100 in April 8. In contrast Broadview's US technology index shows much more severe correction and has yet to fully recover.

SE-Banken joins EBS system

The EBS Partnership, the electronic currency broking system established to rival Reuters, has expanded with the entry of Sweden's Skandinaviska Enskilda Banken as a partner. SE-Banken becomes the 14th institution to join the spot broking co-operative. EBS was founded three years ago by a group of foreign exchange market-makers, including Citibank, to compete with the Reuters 2002 electronic system. EBS calculates that its share of the total spot broking activity in the London market is around 30 per cent, with more than a 20 per cent share in the large Asian centres. Money brokers have been severely hit by the success of automated order-driven trading on Reuters 2002 and EBS.

Global One product

The three partners in the Global One telecoms alliance - France Télécom, Deutsche Telekom and Sprint - have developed a new business product enabling companies to use standard Internet applications on their internal information systems. According to France Télécom, commercialisation of the new product is expected to get under way at the start of next year.

OBITUARY: SEYMOUR GRAY

A pioneer of super-computers

By Louise Kehoe
In San Francisco

Seymour Gray, whose name is synonymous with the world's most powerful super-computers, died on Saturday from injuries sustained in a car accident last month. He was 71.

The founder of Cray Research, the leading super-computer manufacturer, and later Cray Computer, a super-computer development company, Mr Gray was renowned as the architect of high-speed computers used to analyse huge quantities of data in university and defence laboratories. A technology pioneer, he designed some of the first computers based on semiconductor transistor technology, rather than vacuum tubes, while working at Control Data Corporation in the late 1950s. He established Cray Research in 1972 with the goal of building the world's

fastest computers. Four years later, the company unveiled the Cray-1, which set a world record in computing power and speed.

By 1985, when the Cray-2 was launched, he had increased super-computing speed by a factor of 10.

Cray's super-computers were used to simulate the explosion of nuclear weapons, to forecast weather, map underground oilfields and to address the "big challenges" of science. Most of its multi-million dollar computers were, however, bought with government funds.

With the end of the Cold War, the company was forced to adapt to broader and more cost-sensitive commercial markets. At about the same time, a new and lower-cost approach to super-computing emerged.

Rather than building super-fast computing engines, several newcomers to the field designed comput-



Seymour Gray: architect of high-speed computers

expensive Cray computers. Mr Gray remained convinced, however, that his single-engine computers, built using the fastest components, could outrun the massively parallel crowd. In 1989, he formed an independent company, Cray Computer, to pursue his fascination with a new branch of semiconductor technology based on gallium arsenide, rather than silicon, which promised faster chips.

This "bleeding edge" technology was, however, to be the downfall of Cray Computer. When the company failed to demonstrate promised results by the end of 1991, the US government laboratory that had placed the firm, and only order for the new Cray Computer withdrew its support. The company never found another buyer, and closed last year.

Undaunted, just two months ago Mr Gray opened yet another computer company, SRC Computer.

ers that employed hundreds or even thousands of standard microprocessor chips, in so-called "massively parallel computer systems". Although more difficult to program, these massively parallel computers achieved performance comparable with the more

Notice to the holders of those of the U.S. \$200,000,000 10% per cent. Subordinated Notes due 1999

State Bank of New South Wales Limited (formerly called State Bank of New South Wales) (the "Notes" and the "Bank" respectively)

guaranteed by The Government of the State of New South Wales NOTICE IS HEREBY GIVEN to the holders of the Notes (the "Noteholders") that the Bank has agreed with The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the Noteholders to request modifications to the provisions of the Trust Deed constituting, and the Conditions of, the Notes such that with effect on and after 30th September, 1996:

(i) the provisions thereof pursuant to which the Notes would, in the event of the winding up of the Bank, be subordinated to Senior Creditors (as therein defined) have ceased to apply;

(ii) the Notes accordingly rank and will rank *pari passu* without any preference among themselves, with all other outstanding unconditional, unsecured and unsubordinated obligations of the Bank, present and future, other than obligations preferred by mandatory provisions of law; and

(iii) the Notes shall be known as "10% per cent. De-Subordinated Notes due 1999".

In relation to the above, only the modifications necessary to disapply the subordination provisions to the Notes have been made and no changes have been made to, for example, the events of default. The Notes continue to be guaranteed by The Government of the State of New South Wales and will not be called in for replacement. The modifications are contained in a Second Supplemental Trust Deed dated 30th September, 1996 between the Bank and the Trustee copies of which are available for inspection at the principal office of the Trustee, presently at Princes House, 95 Gresham Street, London EC2V 7JY, and at the specified offices of the Paying Agents set out below.

PRINCIPAL PAYING AGENT Royal Bank of Canada 71 Queen Victoria Street, London EC2V 4DE, England

PAYING AGENTS ING Bank (Belgium) S.A. Rue de Ligne 1 B-1000 Brussels, Belgium BNP Paribas (Luxembourg) S.A. 10a Boulevard Royal 2083 Luxembourg, Luxembourg BNP Paribas (Swiss) S.A. 2 Place de Hollande, 1204 Geneva, Switzerland

Dated: 7th October, 1996 For and on behalf of State Bank of New South Wales Limited



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ORDER OF COURT

In the Supreme Court of South Africa (Witwatersrand Local Division) Johannesburg, Wednesday, 18 September 1996 before the Honourable Mr Justice Joffe In the *ex parte* application of Winkelhaak Mines Limited (Incorporated in the Republic of South Africa) (Registration number 55/0360/06) Applicant

Having heard counsel for the Applicant and having read the application:

- It is ordered that:
1. a meeting ("the scheme meeting") in terms of section 311(1) of the Companies Act, 1973 ("the Act"), of the ordinary shareholders of the Applicant, registered as such at the close of business on the day (excluding Saturdays, Sundays and public holidays) immediately preceding the day of the scheme meeting, ("the scheme members"), be convened by the chairman mentioned in paragraph 2, ("the chairman"), who shall fix the time, date and place thereof, for the purpose of considering and, if deemed fit, agreeing to, with or without modification, the scheme of arrangement ("the scheme") proposed by Kinross Mines Limited (registration number 63/06226/06) between the Applicant and its shareholders, registered as such on the record date of the scheme;
 2. Jonathan Harry Schlosberg, a partner in Bowman Gilfillan Hayman Godfrey Inc., attorneys (Jonathan Harry Schlosberg and Bowman Gilfillan Hayman Godfrey Inc., do not act for the Applicant or Kinross) or, failing him, such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc., be and is hereby appointed as chairman of the scheme meeting;
 3. the chairman of the scheme meeting is authorised to:
 - 3.1 appoint scrutineers for the purpose of the scheme meeting;
 - 3.2 determine the validity and acceptability of any form of proxy submitted for use at the scheme meeting;
 - 3.3 adjourn the scheme meeting from time to time if he considers it necessary to do so; and
 - 3.4 determine the procedure to be followed at the scheme meeting and any adjournment thereof;
 4. this Order of Court and e notice convening the scheme meeting be published by the chairman once in each of the Government Gazette, Business Day, Basil, the London Financial Times, Rapport and the Sunday Times on a date at least 2 (two) weeks before the date of the scheme meeting. The notice shall state:
 - 4.1 that the scheme meeting has been convened in terms of this Order;
 - 4.2 the time and venue of the scheme meeting;
 - 4.3 that the scheme meeting has been convened to consider and, if deemed fit, agree to, with or without modification, the scheme;
 - 4.4 that a copy of this Order, the scheme and the explanatory statement in terms of section 312(1) of the Act may be inspected during normal working hours of any time prior to the scheme meeting at the registered office of the Applicant, 6 Holland Street, Johannesburg, or at the Applicant's office in the United Kingdom, 30 Ely Place, London, EC1N 6UA and at the chairman's office; and
 - 4.5 that a copy of this Order and the explanatory statement in terms of section 312(1) of the Act may be obtained free of charge on request by any scheme member from the Applicant at the times and places mentioned in 4.4.
 5. copies of:
 - 5.1 the explanatory statement in terms of section 312(1) of the Act;
 - 5.2 the notice convening the scheme meeting in the form of the applicable attachment to Annexure O to the notice of motion, showing the time, date and place of the scheme meeting;
 - 5.3 the form of proxy to be used at the scheme meeting in the form of the applicable attachment to Annexure O to the notice of motion;
 - 5.4 this Order of Court;
 be sent by the Applicant at least 2 (two) weeks before the date of the scheme meeting to each of the shareholders of the Applicant at their addresses as reflected in the Applicant's register of members at the close of business on a date not more than 4 (four) calendar days before the date of such posting;
 6. e copy of:
 - 6.1 the scheme and the explanatory statement in terms of section 312(1) of the Act;
 - 6.2 the notice convening the scheme meeting in the form of the applicable attachment to Annexure D to the notice of motion;
 - 6.3 form of proxy in the form of the applicable attachment to Annexure D to the notice of motion;
 - 6.4 this Order of Court;
 shall lie for inspection at and be obtained free of charge from the registered office of the Applicant and the Applicant's office in the United Kingdom, at the times and places mentioned in 4.4, for at least 2 (two) weeks prior to the date of the scheme meeting;
 7. the chairman of the scheme meeting shall report the results of the scheme meeting to this Honourable Court on Tuesday, 12 November 1996 at 10:00 or so soon thereafter as Counsel may be heard;
 8. the report required by this Honourable Court from the chairman of the scheme meeting shall comply with the requirements of section 312(1) of the Act and the Practice Manual of this Honourable Court and without derogating from the generality of the foregoing, details should be given:
 - 8.1 the number of shareholders present in person at the scheme meeting;
 - 8.2 the number of shareholders represented by proxy with information as to the number represented by him in terms of proxies which were annexed to Annexure O to the notice of motion;
 - 8.3 the number of shares in the Applicant held by all the shareholders;
 - 8.4 any proxies which have been disallowed;
 - 8.5 all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast in terms of proxies in the form annexed to Annexure O to the notice of motion;
 - 8.6 all rulings made and directions given by the chairman at the scheme meeting; and
 - 8.7 the main points of any other scheme of arrangement which was submitted to the meeting;
 9. the chairman of the scheme meeting shall make available (and the notice of the scheme meeting which will be published and sent to the Applicant's shareholders shall include a statement that it is so available) a copy of the chairman's report to this Honourable Court, free of charge to any scheme member on request for it, for at least 4 (four) days from the Tuesday preceding the date fixed by this Honourable Court for the chairman to report back to it; and
 10. any scheme member wishing to vote by proxy should tender a proxy in the form of the applicable attachment to Annexure O to the notice of motion.

By Order of the Court

Registrar 18 September 1996

Edward Nathan & Friedland Inc. Applicant's attorneys 23rd Floor Sanlamcentrum 206 - 214 Jeppie Street Johannesburg, 2001 (PO Box 3370, Johannesburg, 2000) (Refer: Mr M Katz/Mr K W Joselowitz) Tel. (011) 337-2100

NOTICE OF SCHEME MEETING

In the Supreme Court of South Africa (Witwatersrand Local Division) Case No. 96/21770 In the *ex parte* application of Winkelhaak Mines Limited (Incorporated in the Republic of South Africa) (Registration number 55/0360/06) Applicant

Notice is hereby given that, in terms of an Order of Court, dated 18 September 1996, in the above matter, the Supreme Court of South Africa (Witwatersrand Local Division) ("the Court"), has ordered in accordance with the provisions of section 311 of the Companies Act, 1973, that a meeting ("the scheme meeting") of ordinary shareholders of the Applicant (other than Kinross Mines Limited (registration number 63/06226/06) ("Kinross")), registered as such at the close of business on Monday, 4 November 1996 ("the scheme members") be convened under the chairmanship of Jonathan Harry Schlosberg, a partner of Bowman Gilfillan Hayman Godfrey Inc., attorneys (Jonathan Harry Schlosberg and Bowman Gilfillan Hayman Godfrey Inc., do not act for the Applicant or Kinross), or, failing him, such other independent attorney or advocate nominated by Edward Nathan & Friedland Inc. for the purpose of considering and, if deemed fit, agreeing to with or without modification, the scheme of arrangement ("the scheme") proposed by Kinross between the Applicant and the holders of its issued shares (other than Kinross) ("the scheme shares").

The scheme meeting will be held at 11:30 (South African time) on Tuesday, 5 November 1996, in the Lecture Room, 1st Floor, 6 Holland Street, Johannesburg.

A copy of the scheme, the explanatory statement in terms of section 312(1) of the Companies Act, 1973 explaining the scheme, the notice concerning the scheme, the form of proxy, and the Order of Court convening the scheme meeting are included in the circular sent to shareholders and copies may, on request by any scheme member, during normal working hours be inspected at or obtained free of charge from the registered office of the Applicant, 6 Holland Street, Johannesburg, at the Applicant's office in the United Kingdom, 30 Ely Place, London, EC1N 6UA, and at the chairman's office.

Each scheme member may attend, speak and vote in person at the scheme meeting or may appoint any other person or persons (who need not be shareholders of the Applicant) as a proxy or proxies to attend, speak and vote in each scheme member's place.

The necessary form of proxy (grey) is included in the circular sent to shareholders. Additional forms of proxy may be obtained on request from the registered office of the Applicant and its office in the United Kingdom as set out above.

Each signed form of proxy must be lodged with or posted to Consolidated Share Registrars Limited, 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001 (PO Box 51051, Marshalltown, 2107) in, South Africa or Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU in the United Kingdom, so as to be received by no later than 11:30 (South African time) on Monday, 4 November 1996 or handed to the chairman of the scheme meeting by no later than ten (10) minutes before the time for which the scheme meeting is convened.

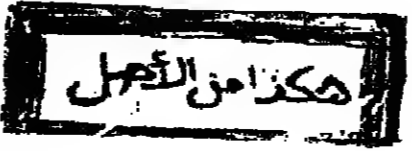
Where there are joint holders of scheme shares, any one of such persons may vote at the scheme meeting in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders be present or represented at the scheme meeting, that one of the said persons whose name stands first in the Applicant's share register in respect of such shares and his proxy, as the case may be, shall alone be entitled to vote in respect thereof.

In terms of the Order of Court dated Tuesday, 18 September 1996, the chairman of the scheme meeting will report the results thereof to the above Honourable Court at 10:00 or so soon thereafter as Counsel may be heard on Tuesday, 12 November 1996. A copy of the chairman's report to the Court will be available on request (free of charge) to any scheme member at the chairman's office, and the registered office of the Applicant and at the Applicant's office in the United Kingdom at the time and place mentioned above for at least 4 (four) days from the Tuesday preceding the date fixed by the Court for the chairman to report back to it.

The scheme is subject to the fulfillment of certain conditions precedent stated in the scheme, one of such conditions being its sanction by the above Honourable Court.

Jonathan Harry Schlosberg Chairman of the scheme meeting

Attorneys to the scheme Edward Nathan & Friedland Inc. 23rd Floor Sanlamcentrum 206 - 214 Jeppie Street Johannesburg, 2001 (P O Box 3370, Johannesburg, 2000) (Refer: Mr M Katz or Mr K W Joselowitz) Tel. (011) 337-2100



GENCOR Limited logo and vertical text on the right edge of the page.



Gencor Limited
(Registration number 01/01292/06)
("Gencor")

Kinross Mines Limited

(Registration number 69/06226/06)
("Kinross")

Winkelhaak Mines Limited

(Registration number 55/03608/06)
("Winkelhaak")

Leslie Gold Mines Limited

(Registration number 69/01124/06)
("Leslie")

Bracken Mines Limited

(Registration number 59/01126/06)
("Bracken")

Details of the proposed merger between Kinross, Winkelhaak, Leslie and Bracken ("the four mining companies") and the acquisition by Kinross of certain adjacent mineral rights ("the merger"), the cancellation of the Kinross consulting services agreement, the listing of Evander Gold Mines Limited ("EGM") and the claw-back offer to be extended by Gencor

Further to the announcement published on 14 June 1996, UAL Merchant Bank Limited and Rand Merchant Bank Limited are authorised to announce the following:

1. The merger

The mechanics of the proposed merger are that:

- 1.1 Kinross will acquire the mining operations, including all assets and liabilities, of Winkelhaak, Leslie and Bracken with effect from 1 July 1996 in exchange for an aggregate of 11 756 952 EGM shares. Thereafter, the EGM shares will be distributed to the shareholders of Winkelhaak, Leslie and Bracken by means of capital reductions under section 84 of the South African Companies Act, Act No. 61 of 1973, as amended ("the Act"). These capital reductions will be effected in terms of schemes of arrangement under section 311 of the Act ("the schemes of arrangement"). Thereafter, Winkelhaak, Leslie and Bracken will be delisted;
- 1.2 Kinross will change its name to Evander Gold Mines Limited ("EGM"); and
- 1.3 Kinross will acquire from Gencor 14 107 hectares of virgin mineral rights and 1 186 hectares of mineral rights subject to lease agreements; and from Randex Mining Company Limited (formerly Genbel Growth and Resources Trust Limited) 5 550 hectares of virgin mineral rights and 779 hectares of mineral rights subject to lease agreements. The aggregate consideration for these mineral rights will be 5 680 017 EGM shares.

2. The cancellation of the Kinross consulting services agreement

Subject to the approval of the merger by the shareholders of the four mining companies, the consulting services agreements held by Gencor in respect of Winkelhaak and Leslie will immediately be terminated and, subject to ratification by such shareholders at their respective general meetings, the Kinross consulting services agreement will be cancelled in exchange for a cash consideration of R127,6 million. Gencor will be obliged to utilise this cash to subscribe for 2 808 099 EGM shares. Applying the marginal tax rate, the after-tax cost of the cancellation payment is R63 million.

Shareholders enjoy the alternatives of supporting the merger and the cancellation of the Kinross consulting services agreement ("the cancellation") separately or jointly. This will afford the directors of the four mining companies the opportunity to assess the level of support for the merger and the cancellation independently. The cancellation should result in reduced overheads which should lower the pay limit of EGM. Gencor will not vote on the ordinary resolution regarding the cancellation.

In terms of the Johannesburg Stock Exchange ("the JSE") Listings Requirements, Gencor will be obliged to extend a renounceable claw-back offer (refer to paragraph 5 below) to those Kinross, Winkelhaak, Leslie and Bracken shareholders (other than Gencor) registered as such on Friday, 15 November 1996 ("the claw-back offerees") at a price of 4 544 cents per EGM share in respect of any EGM shares acquired via the cancellation. The claw-back offer presents an opportunity for all shareholders to subscribe for these EGM shares pro rata to their existing entitlement to EGM shares.

3. Shareholders' consents

The implementation of the merger and ratification of the cancellation of the Kinross consulting services agreement is subject to the approval of the shareholders of the four mining companies at their respective general meetings and, where applicable, at their respective scheme meetings. In this regard shareholders are referred to paragraph 6 below where the salient dates of such meetings are tabled.

4. Stock exchange listings

Application has been made to the JSE for a listing of the EGM shares in the Gold-"Rand & Others" sector of the JSE lists under the abbreviated name "Evander" with effect from commencement of business on Monday, 18 November 1996.

Application has been made to the London Stock Exchange ("the LSE") for the EGM shares to be admitted to the Official List of the LSE. It is expected that such admission will become effective and dealings will commence on Monday, 18 November 1996.

5. The claw-back offer

Subject to the cancellation of the Kinross consulting services agreement, Gencor will offer for subscription by way of renounceable rights to the claw-back offerees and/or their renounees, a total of 1 878 000 EGM shares at a price of 4 544 cents per EGM share, payable in full on acceptance in the currency of South Africa, in the following ratios:

Company	Number of EGM shares offered for every 100 shares held	Total number of EGM shares offered
Kinross	9,437	1 104 170
Winkelhaak	7,372	583 709
Leslie	1,110	159 875
Bracken	0,242	30 246
Total		1 878 000

6. Salient dates

The salient dates of the general meetings of the four mining companies and the Winkelhaak, Leslie and Bracken scheme meetings, required in order to implement the merger and ratify the cancellation are set out below, together with the salient dates of the claw-back offer:

	1996
Last day for submission of forms of proxy for the general meetings on	Friday, 1 November
Last day for submission of forms of proxy for the scheme meetings on*	Monday, 4 November
General meetings held on	Tuesday, 5 November
Scheme meetings held on	Tuesday, 5 November
Court hearings to sanction the schemes of arrangement and confirm the reductions of capital held on	Tuesday, 12 November
Record date in order to participate in the merger and the claw-back offer	Friday, 15 November
Kinross, Winkelhaak, Leslie and Bracken shares no longer good for delivery with effect from the close of trading on	Friday, 15 November
EGM share certificates in respect of the merger posted to the relevant shareholders on	Monday, 18 November
Expected date of publication of an abridged form of the pre-listing statement of EGM in the South African press	Monday, 18 November
Expected date of the listing of EGM on the JSE and the LSE with effect from the commencement of trading on	Monday, 18 November
Listing of the letters of allocation in respect of the claw-back offer commences on the JSE and the LSE on	Monday, 18 November
Claw-back offer opens at 09:30 on	Friday, 22 November
Last day for listing of and dealing in the letters of allocation on the JSE and the LSE on	Wednesday, 11 December
Listing of EGM shares to be issued in terms of the claw-back offer commences on the JSE and the LSE on	Thursday, 12 December
Claw-back offer closes - payment to be made and letters of allocation to be lodged by 14:30 on	Friday, 13 December
Postal acceptances postmarked on or before Friday, 13 December 1996 accepted until 12:00 on	Wednesday, 18 December
Certificates for EGM shares in respect of the claw-back offer posted on	Monday, 23 December

* If a scheme meeting form of proxy is not received on this date it may be handed to the chairman of the relevant scheme meeting not later than ten minutes before the start of such meeting.

Notes:

1. The abovementioned dates and times may be changed. Any such change will be published in the press or notified by correspondence.
2. All the times indicated above and throughout this announcement are local times in South Africa.

7. Documentation

Circulars providing details of the merger and the cancellation of the Kinross consulting services agreement will be posted to shareholders of the four mining companies today. These circulars incorporate the proposed prelisting statement of EGM and an explanatory statement regarding the schemes of arrangement.

A circular providing full details of the claw-back offer is being prepared and will, subject to the cancellation of the Kinross consulting services agreement, be posted to the claw-back offerees on Friday, 22 November 1996.

8. EGM share certificates

Shareholders of the four mining companies registered on the record date must surrender their relevant share certificates or other documents of title to the transfer secretaries. Shareholders may elect to surrender their share certificates or other documents of title prior to the general meetings and such share certificates or other documents of title will be held by the transfer secretaries, pending the merger becoming unconditional.

EGM share certificates will be posted to the relevant shareholders of the four mining companies registered on the record date on Monday, 18 November 1996 if their respective share certificates or other documents of title have already been surrendered by that date and thereafter within 7 (seven) days of receipt of the form of surrender. If the conditions precedent to the implementation of the merger are not fulfilled, the relevant share certificates or other documents of title will be returned to shareholders within 7 (seven) days.

Kinross, Winkelhaak, Leslie and Bracken share certificates will no longer be good for delivery from the close of trading on Friday, 15 November 1996.

7 October 1996

Merchant banker to Kinross



Merchant bank to Winkelhaak, Leslie and Bracken



RMB RESOURCES
(A division of Rand Merchant Bank Limited)
(Registration number 62/13969/05)
(Registered bank)

Attorneys



DENEYS REITZ
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(In the Republic of South Africa)



(In the United Kingdom)



FINANCIAL TIMES MARKETS THIS WEEK

ING BANK At Home in Emerging and Capital Markets ING BARINGS

ING BANK At Home in Emerging and Capital Markets ING BARINGS

Global Investor / Peter Martin

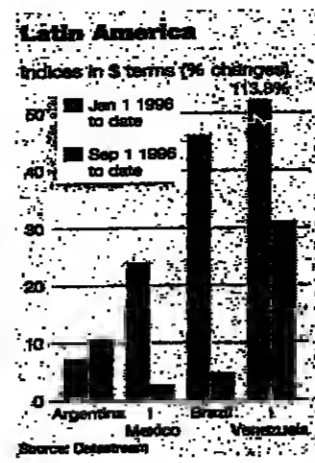
Latin America's long journey

Latin America poses a difficult test for the international investor. Its equity and bond markets fall into the "emerging" category, but without the novelty and excitement offered by the newly-liberalised central European economies or the tigers of east Asia.

At least, hed at last settled on to the path of steady growth. It was just the latest false dawn. Nonetheless, the exaggerated expectations of the early 1990s and the inevitable swing back to pessimism that followed should not obscure the achievements of the larger Latin American countries. Chile has become a true tiger economy. Argentina has tamed inflation. Mexico has become an export powerhouse. Brazil has a chance of keeping the 1997 rise in consumer prices below 10 per cent for the first time since 1973.

On the face of it, this move towards a more conventional business climate should shift the emphasis in investment towards picking individual stocks, rather than attempting to spot market-wide shifts in sentiment. In practice, however, top-down decisions are likely to persist. Past bad experiences, and the region's role as a repository for marginal investment dollars, make it particularly vulnerable to shifts of local sentiment and to the global financial mood.

The structural weaknesses of the region reinforce this point. At the macro level, many of the traditional Latin American problems remain: low domestic savings; the shakiness of local banking systems; large and inefficient governments; poor education levels for the workforce; and most corrosive of all, a lack of the shared sense of purpose which characterises the fast-growing Asian economies.



Total return in local currency to 10/10/96

Table showing total return in local currency to 10/10/96 for Argentina, Mexico, and Venezuela across different investment periods like Cash, 3-5 year, 7-10 year, and Equities.

Argentina, with an overvalued currency, has still not found a way to combine its twin ambitions of stability and growth; but it has at least achieved the first of the two. In Brazil, economic growth will be rapid next year, but that may not offer enough help to companies battered by the strong currency. Mexico will continue to recover from the 1995 crisis, but its export competitiveness is now starting to suffer and consumer spending is rising only slowly.

COMPANY RESULTS DUE

Motorola to slip in third quarter as sales falter

Motorola, the telecommunications group, is expected to post sharply lower third-quarter earnings after the market closes today - but the focus of interest will be on whether it has done enough to reverse a slip in sales which last month prompted a profits warning.

There were serious implications for its fourth-quarter and full-year outlook. Motorola warned last month that it expected to report "significantly" lower third-quarter revenue and earnings than previously anticipated due to softness in sales and orders during July and August.

It said the slip was due to weakness in pricing and unit demand in semiconductors, as well as softness in cellular phone, paging, modem and international markets.

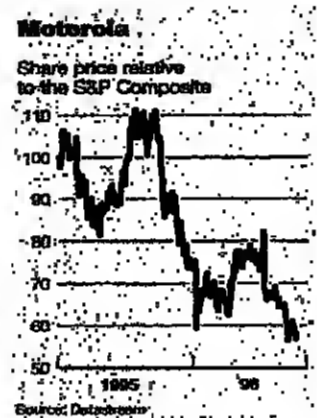
Accor, The French hotels group, today reports net profit for the six months to June close to or above last year's level of FF2.9m (\$5.6m), with forecasts ranging up to FF11m.

Earnings trends in the first half will remain well below full-year expectations, partly because of the seasonal nature of Accor's

activities and partly because of expectations that capital gains from asset sales will not be booked before the second half.

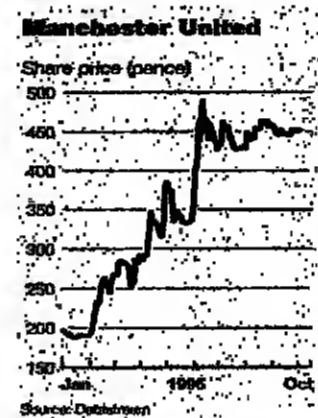
Manchester United: The UK football club, despite winning the double of Premier League championship and FA Cup in the 1995-96 season, is expected to report tomorrow a decline in annual revenues and profits for last year.

Stockbroker Wise Speake is forecasting pre-tax and pre-transfer profits of £13.6m (\$21m), compared with £16.3m, on turnover of £53m, against \$51m. The decline will be put down to a fall in gate revenues due to stadium redevelopment, reduced merchandising turnover following the sale of some publishing interests to VCI, the media and publishing group, and lower television income because of the



early exit from the Coca-Cola and UEFA cup tournaments. However, analysts say long-term prospects are rosy because of expected big increases in gate, television, sponsorship and other commercial revenues.

Chiroscience: The biotechnology company, which



raised £40m (\$62m) in May, will announce its interim results today with analysts expecting a loss of \$7m. \$5m, compared with a loss of \$6.3m last year. The group is in a heavy research and development phase and has a string of forthcoming products - it plans to launch a handful of new drugs by the

end of the decade. Further funding is not expected.

Cobham: The aerospace engineering group is expected to announce increased first-half profits of about \$20m following rising demand for its refuelling operations and maiden sixth-month contributions from Westwind, the air bearings manufacturer acquired in December.

Lucas Industries: The automotive and aerospace equipment group is likely to report tomorrow a strong rise in underlying profits in its valdictory full-year results. The company, which last month merged with Varty Corporation of the US, is expected to show profits up to about £180m-£185m following a rebound in aerospace and steady demand for motor

components. However, analysts are likely to show more interest in the strategy of the enlarged LucasVarty.

Skypepharma: The emerging pharmaceutical company which specialises in delivery technology, reports second interims on Thursday for the year to July 31 as the group changes its accounting period. Investors have backed the group to date on the strength of its management under founding director Mr Ian Gowrie-Smith.

St Ives: The printing group's full-year profits are forecast to rise to £40.5m (\$63m) from £35.5m, in spite of tough conditions for printers in the

first half of the year. The group publishes its results tomorrow.

Analysts expect the dividend to be increased to 6p. The interim dividend went up from 2.5p to 2.9p.

Lower paper prices and recovery in the book publishing industry in the past few months have led to greater stability in its markets.

Last year, St Ives outperformed market expectations in both its interim and final results.

N. Brown: The mail and consumer goods group, still looking for acquisitions after being rebuffed by Littlewoods last year, is expected to show continued growth in its interim results on Thursday.

Analysts expect profits to rise 22 per cent to £15m from £12.3m. (\$19m) with an increase in the dividend from 1.35p to 1.6p.

INTERNATIONAL OFFERINGS by Richard Layton

Telekom float in higher gear

The machine set up to sell shares in Deutsche Telekom has lumbered into a higher gear. The company's preliminary prospectus was published on Friday and last week more than 80 research reports were released by banks involved.

The documentation should help investors assess whether Deutsche Telekom's shares represent good value, but as fund managers pore over the mounds of paper sitting on their desks many may pause to consider whether the effort is worthwhile.

The sheer weight of the new stock in the DAX, the German share index, means most index funds must buy the stock in any case. As one banker involved in selling the sale says: "Frankly this company is going to be a massive component of any index in the world you care to look at."

and you are anywhere near to tracking the global index you just can't not be in the stock." Even if only 500m shares were issued, DT would represent a substantial chunk of the index.

But in fact all the 1bn shares the company is authorised to issue before 2000 will be included in the index, representing between 3 per cent and 4.8 per cent of the DAX. That means investors will need to buy twice as many shares as they otherwise would to maintain a neutral weighting.

In the words of one fund manager "the institutions are going to be structurally short of this stock". Moreover, the offer is attracting interest from individual German investors, confounding retail buyers are expected to snap up at least 40 per cent of the shares on offer and will comfortably meet that target on the basis of

the 2.1m registrations of interest received by Deutsche Telekom's information office.

The valuation of Deutsche Telekom, meanwhile, is a complex matter. To value telecommunications companies against their international competitors, analysts have developed a measure that strips out national peculiarities related to national tax regimes or the way items like depreciation are treated under different accounting standards.

Calculations based on so-called "enterprise value" - market capitalisation plus net debt or less net cash - and earnings before interest, tax, depreciation and amortisation - more usually known by the acronym "ebitda" are widely used.

However, according to some analysts, Deutsche Telekom's high debt level makes it difficult to assess the company on this basis.

Mainly as a result of its heavy programme of capital expenditure in eastern Germany, Deutsche Telekom has accumulated net debt of DM95bn.

Comparable European telecommunications companies are priced on ebitda to six multiples of between 2.2 to 4.3 times.

Applying that range to Deutsche Telekom on the basis of 1996 ebitda estimates of DM21bn - gives figures for capitalisation ranging from a negative DM7bn to DM61bn.

The application of more traditional valuation tools - such as dividend yields and price earnings ratios - give rather different results. For example, on the basis of a dividend next year of DM3bn and the assumption that the dividend yield would be around the average for European telecoms, capitalisation would be around DM75bn.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd was a co-founder of the indices.

Table of FT/S&P Actuaries World Indices showing regional and regional markets data for Friday October 4 1996 and Thursday October 3 1996, including dollar index and local indices for various countries.

LLOYD'S LLOYD'S OF LONDON \$300,000,000 Term Loan and Revolving Credit Facility To support the Lloyd's Reconstruction & Renewal Plan Citibank International plc NatWest Markets Royal Bank of Canada Europe Limited as Arrangers Citibank, N.A. Midland Bank plc National Westminster Bank Plc Royal Bank of Canada as Senior Lead Managers Barclays Bank plc Societe Generale The Royal Bank of Scotland plc as Lead Managers National Westminster Bank Plc as Agent

MILAN Government bc

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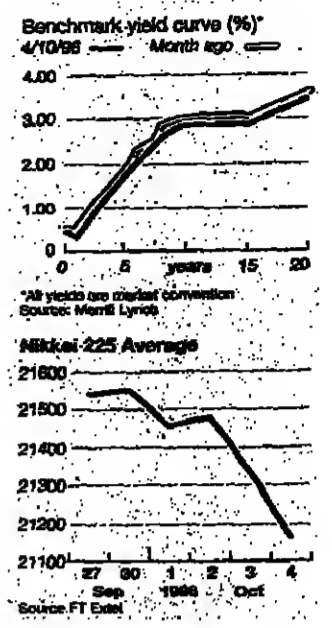
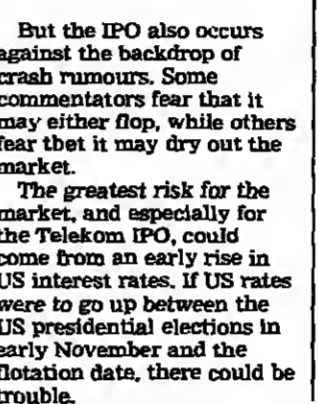
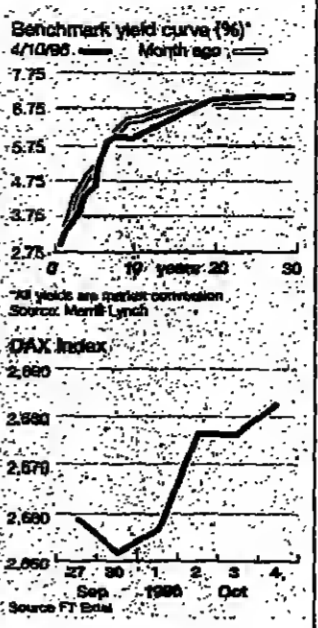
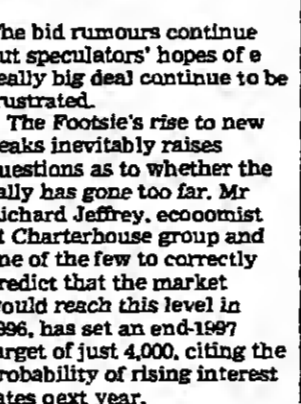
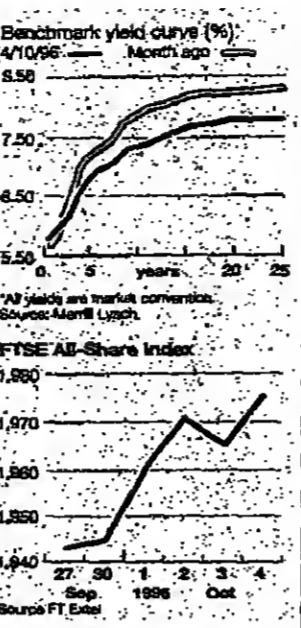
MARKETS: This Week

WALL STREET seems to be returning to normal. The last few months have been dominated by speculation about economic over-heating and the likelihood of a rise in interest rates.

LONDON By Philip Coggan
The UK markets saw the FTSE 100 index pass the 4,000 level last week, and real index-linked yields fall to their lowest levels since 1994.

FRANKFURT By Wolfgang Münchauer
Like other European markets, Frankfurt has acted almost euphorically over the last few weeks.

TOKYO By Gwen Robinson
Domestic institutional investors are likely to continue favouring the bond market over the stock market.



PARIS
This week's run of economic data and company results are unlikely to undermine the Paris bourse, where the CAC-40 index has shown good staying power above 2,100.

AMSTERDAM
Bid fever is not a common phenomenon on the Amsterdam bourse, but over the past week takeover chatter has been a highly visible support to the AEX index.

HONG KONG
Brokers are looking for Hong Kong stock prices to trade higher in the coming week. On Friday the benchmark Hang Seng index slipped slightly after seven straight days of gains.

COMMODITIES By Richard Mooney
The spectre at the feast
Some of the world's leading metal brokers, producers, users and reporters are gathered in London this week for the London Metals Exchange's annual jamboree.

Government bonds to provide key to direction

Foreign exchange markets will continue to look to the booming government bond markets in the US and Europe to provide direction for currencies this week.

Lira and sterling continue to be the most restless of an otherwise placid group of European currencies. The D-Mark's decline and low German yields have made it attractive in the past few months.

Analysts say there is still a possibility that the Bank of Italy will cut its discount rate by 0.25 per cent. Reading expectations of a cut in UK base rates have helped sterling's performance.

representation electoral system takes place on Saturday. Current opinion polls suggest that a centre-right coalition government remains the most likely result.

Table with columns: C-STD, US \$, D-MARK, YEN, C-STD, US \$, D-MARK, YEN, C-STD, US \$, D-MARK, YEN. It lists exchange rates for various countries including Algeria, Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Denmark, Ecuador, Egypt, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Israel, Italy, Japan, Korea, Kuwait, Luxembourg, Malaysia, Mexico, Morocco, New Zealand, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom, USA, Venezuela, and Zimbabwe.

SAB THE SOUTH AFRICAN BREWERIES LIMITED
Offering of approximately US\$360 million (R1.6 billion)
The South African Breweries Limited ("SAB") is pleased to announce that international demand for its share offering has exceeded US\$600 million (approximately R2.7 billion).

MARKETS: This Week

EMERGING MARKETS By Judy Dempsey

Israelis wait for smoke to clear

A clearer picture is likely to emerge this week of the response of the Tel Aviv stock market to the violence between Israeli and Palestinian forces...

offers good value against most Latin American, Asian and European markets. Salomon sees the p/e falling to 10.6 to 11 in 1997.



Israel Mifstam 100 Index, 200. Source: DataStream

Continuation of the peace process is important to investor confidence and foreign investment. But not everything that has happened to the Israeli economy over the past four months...

Restoring confidence in the provident funds will not be easy. Mr David Brodet, director of the finance ministry, unveiled a draft paper on reforming the capital markets last month.

Since September 25, when the fighting started, the index has lost more than 7 per cent. Now the holidays are over, analysts are wondering if the Mifstam will recover.

The market is on a p/e of 12, which, says Salomon Brothers, means that it

rests on a p/e of 12, which, says Salomon Brothers, means that it

EMERGING SECURITIES MARKET MOVEMENTS

Table with columns: Index, Week on week movement, Month on month movement, Year to date movement. Rows include World (448), Latin America, Argentina (22), Brazil (23), Chile (13), Colombia (13), Mexico (27), Peru (12), Latin America (113), Europe, Greece (20), Portugal (19), Turkey (27), South Africa (30), Europe (134), Asia, China (26), Indonesia (30), Korea (23), Malaysia (24), Pakistan (13), Philippines (16), Thailand (28), Taiwan (31), Asia (183).

All indices in \$ terms, January 7th 1992=100. Source: IFC Emerging Securities.

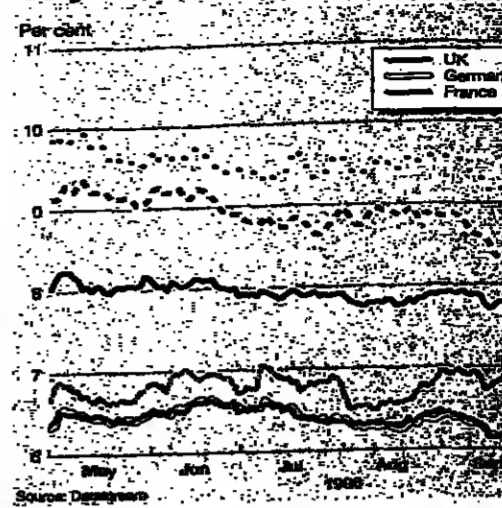
INTERNATIONAL BONDS By Corinne Middelmann

Issuance heads for slowdown in fourth quarter

New issue volumes in the international bond markets have risen to record levels in the first nine months of 1996, spurred by investors' and borrowers' eagerness to cash in on falling interest rates.

However, with the risk of a US rate rise still looming, some say the final quarter may be less buoyant, especially in the markets that have posted the best gains: the emerging markets.

10-year benchmark bond yields



Source: DataStream

INTEREST RATES AT A GLANCE

Table with columns: USA, Japan, Germany, France. Rows: Discount, Overnight, Three-month, One year, Five year, Ten year.

(1) France-Repo rate. (2) UK-Repo rate. Source: Reuters.

GOVERNMENT BONDS By Samer Iskander

Rush to join convergence bandwagon

The yields of Italian and Spanish 10-year bonds fell last week to lows of 230 and 175 basis points, respectively above those of German bonds with the same maturity, before correcting slightly on Friday.

houses' market share has been the rapid growth of asset-backed securities in Europe. Capital Data's numbers show ABS issues rising from \$37.5bn in all of 1995 to \$87.3bn in the first three quarters of 1996.

"Asset-backed securities are a growing market in Europe," says Mr Bergendahl. "Investors have been getting more comfortable with the product and issuers want to manage their balance sheets more actively, as well as diversify their funding sources."

Advertisement for Uch Power Limited US \$338.922 million Project Finance Facilities. Includes logos for ABN-AMRO Bank, Deutsche Morgan Grenfell, IFC International Finance Corporation, and various financial institutions.

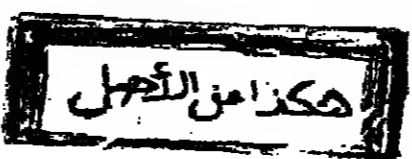
NEW INTERNATIONAL BOND ISSUES table with columns: Denomination, Amount, Maturity, Coupon, Price, Yield, Launch, Book-runner, Broker, Amount, Maturity, Coupon, Price, Yield, Launch, Book-runner.

Advertisement for Signal: THE FASTEST WAY TO MAKE MONEY IN THE MARKET! Includes text about market moves and more advantages.

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Advertisement for The Top Opportunities Section: For senior management positions. For information call: Will Thomas +44 0171 873 3779

Table with columns: ATHENS STOCK EXCHANGE Sep 30th - Oct 4th 1996, GREECE. Rows: ASE INDEX, PE (after tax) 96/95, EPS GROWTH (% 96), P/E 96/95, WYLYVOL (USD m), %Chg (Prev. Wk), 1 Yr Avg. (USD m), P/E (after tax) 96/95, EPS GROWTH (% 96), P/E 96/95, WYLYVOL (USD m), %Chg (Prev. Wk), 1 Yr Avg. (USD m).



FINANCIAL TIMES SURVEY

BUSINESS TRAVEL

Companies focus on curbing costs

The lesson for many companies must be that they need to strike a balance between controlling costs and ensuring the right working conditions for employees, writes Scheherazade Daneshkhu

Good times may be back again in business travel but the sound of popping corks is absent.

Last year, companies spent 7 per cent more on business travel compared to the previous year, according to Diners Club. The charge card company says that business travel is growing rapidly but most travel agents agree that companies, far from wanting to splash out on business travel, are still cost-conscious and continually on the search for value for money.

"Business travel has emerged from the recession in the sense that travellers are returning to the premium classes," says Mr Alan Spence, managing director of Britannic Travel, the UK-based business travel agents. "However, the trips they are making are still kept to the minimum length. There are more long-haul trips being made, but they are shorter. And two-day European trips are being cut down to one day to reduce hotel bills."

The trend is noticeable in the hotel industry, too. "The nature and style of business travel is certainly changing," says Mr Craig Parsons, vice-president for international sales at Hyatt Hotels. "Travellers are less concerned with the traditional trappings of luxury and more concerned with making each business trip as productive, cost-effective and beneficial as possible."

Companies are spending more on business travel partly because the costs of travel are increasing. Business class air fares have risen by more than 5 per cent since the beginning of last year, according

to American Express, more than any other class of travel, including first class, although the more price-sensitive full economy fare increased by 4 per cent.

The cost of staying in a hotel is also rising. Room rates in 19 large US cities rose by an average of 6.5 per cent in the first six months of the year compared to the same time last year, according to Horwath Hospitality Consulting and Smith Travel Research, the US-based hotel consultants. Average room rates in Boston increased by 8.7 per cent but New York and Chicago rose more steeply, by just under 9 per cent. The indications are that price rises will continue.

Hotel rates have been increasing outside the US too, according to Hogg Robinson, the business travel agents, which says that average room rates worldwide rose by just under 7 per cent in the first half of the year, compared to the same time last year. It says that the rise reflects both a growing demand for hotel accommodation and a renewed interest in more expensive rooms.

"There is evidence that some travellers who had to downgrade from four- and five-star hotels during the recession are now becoming confident enough to return to them," says Ms Carolyn Moore, hotels divisional manager at Hogg Robinson. "However, the more common trend is to upgrade to more expensive rooms in the same hotels. Companies tend to be booking executive rooms instead of the standard rooms more commonly requested in 1995."

Despite the added value which many suppliers are offering in a competitive market to retain and

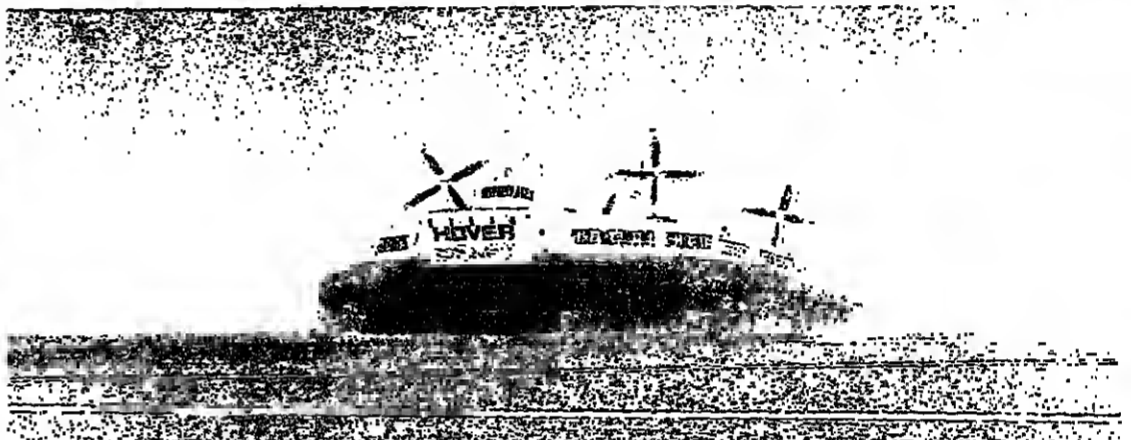
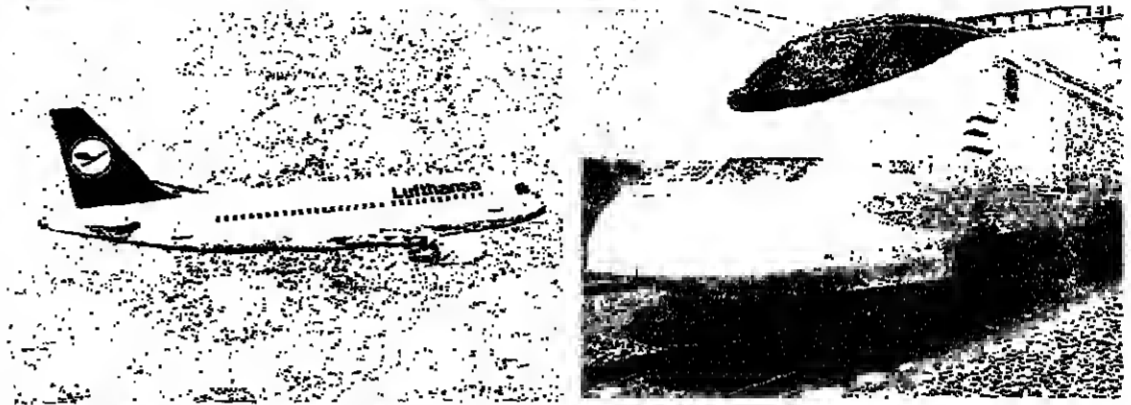
increase business customers, Carlson Wagonlit, the business travel agent, believes that some companies would prefer to spend less for more basic products. It found in a recent survey of UK business travellers that only one third use the in-flight facilities in which many airlines have invested. More than three-quarters of the travellers said they would be prepared to travel on less expensive, "no-frills" flights within Europe.

Mr Toby Joseph, director of development and marketing at Carlson Wagonlit, says that airlines and hotel groups have continued to add value to their products in an attempt to maintain prices. But the results of the survey indicated that "added value may not necessarily be what travellers or corporates want and I suspect that we are likely to see the introduction of more 'basic' products, with focus firmly on the speed and efficiency of travel."

In the continuing drive to keep down travel costs - which are often the third-largest corporate expense after buildings and payroll - companies are increasingly looking to business travel agents for help. The travel agents, long threatened with becoming obsolete in the face of growing technology which enables companies to book travel direct, have redefined their role. They argue that their purchasing power and knowledge of the industry can help to control corporate travel budgets.

Mr Tony Hughes, deputy chairman of the UK Guild of Business Travel Agents, says that companies are getting used to the idea of using business travel agents in this new capacity. "Agents are less and less order-takers and ticket-issuers. Instead, we are travel consultants, advising clients on travel purchasing strategy and helping them to negotiate with airlines and other suppliers."

But the role of business travel agents in ensuring that employees comply with the company's cost-control travel policy can be severely undermined by employees. A majority of business travellers always choose the airline they fly on, partly to take advantage of ever-popular frequent flyer schemes, while almost half choose their own hotels, according to a recent survey by Official Airline Guides. The more senior the executives, the more determined they are to control their own travel arrangements, although these may not necessarily conflict with the corporate travel policy.



But if employees do not like the corporate travel policy, they are quite likely to try to get round the rules. About half of the European business travellers who took part in a recent Visa International survey confessed to bending the rules, and one quarter thought the company policy, far from saving money, resulted in a waste. The most common complaint about the company travel policy was its inflexibility, which could require employees to travel late at night in economy class on designated airlines and to stay at inconveniently located hotels. Many felt that these factors affected their ability to work well. Almost half felt that a more flexible travel policy would improve the quality of business travel. The lesson for many companies must be that they need to strike a balance between controlling costs and ensuring the right working conditions for employees. "Travel policies are a vital part of travel management but the challenge is for European busi-

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AIR CHINA

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Production Editor: Philip Sanders

THE AMERICAN EXPRESS

traveling and in sudden need of medicine that's unavailable in Moscow, don't worry, we'll have it flown there immediately

SERVICE

VALENCIA, Tuesday, June 13 - Her job title read "Administrative Support," but for Rosa Barea of our Travel Service Office in Valencia, Spain, a more fitting title might have been "Administrative, Medical, Emotional and Moral Support."

She earned it when she helped a Cardmember return home to Spain from Russia for an operation (that was after arranging for medicine to be flown to Moscow) and accompanied the Cardmember's wife to the airport for moral support.

Ask Rosa, and she, like a lot of American Express employees, would say, "I was just doing my job." That's something to keep in mind when you're far from home and have a job for us to do.

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2 BUSINESS TRAVEL: By air

First v Business: by Scheherazade Daneshkhu

A question of class

Carriers have been competing aggressively for a greater share of the lucrative business class market. Many have abolished first class

The emphasis in business travel in the money-conscious 1990s has been less on ostentation and more on value for money. As a result, companies have cut down on first class travel to control travel budgets.

But with economic recovery and an increase in travel spending in the past few years, executives have been returning to the business class cabins and even first class seats to be on the uptake. "First class did fall off in the recession but there has been encouraging growth in the past year," says Mr David Cook, sales manager for Thai Airways.

First class travel from the UK has also been on the increase: 7 per cent of UK business travellers said they flew first class this year, compared to 1 per cent last year, according to a recent business travel survey by Carlson Wagonlit, the business travel agent.

But even if the economic conditions for a revival of first class travel have improved, the commercial environment in which it operates has changed. First class is facing increasing pressure from the fight for customers waged in business class. Carriers have been competing aggressively for a greater share of the lucrative business class market and many have abolished first class altogether in order to provide business class with more leg room and improved services which traditionally were the domain of the first class cabins.

Those to have got rid of first class include KLM and

its partner Northwest Airlines, Air Canada, TWA and Continental Airlines. They were joined last year by Alitalia - which says that first class travel is a thing of the past with demand for business class outstripping that for first class.

"On some long-haul routes, there was a lot of demand for business which we could not satisfy, but first class seats were available," says Alitalia. The hybrid Magnifica class has wider seats which recline further and have more leg room than in Alitalia's old business class. But the fare has not been raised from the old business class rate.

When Virgin started out without first class in 1984, its aim was to compete with other carriers' business class by offering services normally associated with first class, such as limousine transfer, on-board lounges and in-flight massages.

"We wanted to stimulate demand for new business class travel by operating a first class service at business class prices," says Virgin.

The competition to improve business class services has succeeded in catering to the demands of their customers, according to Mr Kyle Davis, head of air fare management for Europe at American Express. He says that many business class cabins today are almost the equivalent of first class cabins of several years ago. "What business travellers want the most is space and privacy, and increasingly they are getting that from business class."

If this is the case, is there any point in paying a substantial premium to fly first class any more? Mr Tony Hughes, deputy chairman of the UK Guild of Business Travel Agents, believes not. "When it comes to long haul, the case for flying first class is diminishing. The main thing that business travellers look for is a comfortable seat which business class seats are these days," he says. "Just about all you



In 1984, Virgin started offering first class services in business class

are getting for your extra money in first class is vintage rather than non-vintage champagne. I don't think most travellers are bothered about that sort of thing."

Mr Richard Lovell, executive vice-president northern Europe of Carlson Wagonlit Travel, believes that first class is a declining market long-term. "It may retain its position on some routes, such as Japan, the Middle East and North America where status can command a premium, but this limited segment will grow progressively smaller," he says.

Needless to say, carriers operating first class cabins disagree, arguing that there is a small but vigorous demand for the service, mainly from senior executives, rock stars and royalty. Demand is also more insistent on some routes, such as those to the Middle East, Far East and South America. And many, such as United Airlines, welcome fewer operators in the market,

leaving each with a bigger slice of the cake.

British Airways - which last year launched a new first class service as part of a \$50m three-year programme to improve its facilities - says that investment is the key to retaining customer loyalty. "Others may have diluted the product by using first class for upgrades. But by investing in the first class, people are prepared to pay the full fare."

Its first class cabin consists of essentially private cabins with seats which can be turned into flat beds. The layout avoids any clambering over other passengers and the cabin can be turned into a dining room for two or a private working space. It says: "People are looking for two things from first class these days: on daylight routes they want privacy because of the work they are doing. And on night flights, they want to be able to sleep."

Ticketless travel: by Roger Bray

Elegant cure for headaches

In Europe, it is the new breed of low-cost operators which has proved most eager to embrace the idea

Losing an air ticket is at best inconvenient, at worst expensive. Some airlines demand that the passenger should pay again, promising to pay a refund only if the original has not been stolen to be used fraudulently.

There can be few business travellers, beset by mountains of often dispensable paper from some overseas conference, who have not experienced the mild panic of scrabbling in the waste bin or groping in the side pocket of a suitcase for a mislaid coupon.

It is a headache which is rapidly becoming rarer. Although airlines in Europe are much more cautious than their counterparts in the US, the trend towards ticketless travel is gathering pace.

Typically, passengers flying without tickets will book by telephone, using a credit or charge card. On arrival at the airport they avoid the usual, tedious check-in procedure, swiping the same card through an electronic reader, which issues them with a boarding pass. Provided they have only carry-on bags, they may then go straight to the gate.

Enthusiastic proponents of the system argue that travellers may also save time if they need to check-in hold luggage - but the advantage will clearly be more marginal.

Nobody should believe this is all for the benefit of the consumer. Commission paid to travel agents can account for one fifth of a leading airline's costs. British Airways, for example, spends roughly as much as it does on fuel.

trading warily. Lufthansa is among those promising to keep agents in the loop, arguing that they offer the customer added value.

In any case, ticketless travel will save carriers money in less sensitive ways. First there is the cost of the ticket, estimated at about \$3. Then there is the prospect of increased productivity as passengers bypass the conventional check-in procedure and free staff to deal with problems which cannot be handled by machines.

Do passengers like it? Lufthansa says that about 6 per cent of its passengers felt more comfortable travelling with a conventional ticket. British Airways also detects unease among a small proportion of customers, but says most are happy with the idea.

The US has seen a headlong rush, with ticketless travel now available across United Airlines' entire domestic route network and American Airlines, USAir and TWA all joining in. BA, in contrast, typifies the step-by-step approach of most big European carriers. It is testing responses on just one route - Gatwick-Aberdeen - before extending it to other domestic flights.

Passengers with hand luggage may use an airport machine to check seat allocations - and change them - by touching a screen. For

the time being, reservations are possible only direct or through the airline's own shops. In November, however, customers will be able to book through branches of Hogg Robinson and Portman Travel.

In Europe, it is the new breed of low-cost operators which has proved most eager to embrace the idea. Brussels-based Euro Belgian was already ticketless before it was taken over by Richard Branson's Virgin Atlantic and re-named Virgin Express. It still sells about 25 per cent of seats through travel agents. The Luton-based UK carrier easyJet, however, only takes bookings direct.

So far their larger rivals have appeared loath to promote the automated ticket and boarding pass (ATB). Passengers using them enjoy the reassurance of receiving a document before they leave for the airport - but they may still avoid hassle by going straight to their departure gate. One suggestion is that, when the dust settles on current experiments, frequent flyers may travel without paper while less regular travellers may prefer ATBs.

British Airways says that in May 1995, one fifth of its passengers using the short-haul Terminal One at London's Heathrow Airport checked in with ATBs. By March this year, that figure

had risen to 50 per cent. Its subsidiary, the French regional airline TAT, for example, has switched to them completely. Air France, SAS, Swissair and Lufthansa are all using them. "They have reached a critical mass," says BA. "Enough people are now using them to make it worthwhile travel agents holding stock and enough travel agents are fasting them to make them a viable proposition for customers."

Most early ventures into ticketless travel were limited to domestic routes. A significant hurdle delaying its spread in Europe has been the Warsaw Convention stipulation that international travellers must be issued with conditions of carriage when tickets are issued. These conditions are printed on the ticket cover. Airlines are finding ways around this, however. easyJet, for example, consulted its lawyer and decided to give them a leaflet on check-in.

That the hurdle is surmountable has been proved beyond doubt by United Airlines' plan to start electronic ticketing next year. London Heathrow-New York is likely to be the first long-haul route in line and the airline says it may fax or e-mail conditions to passengers.

The tide of change seems inexorable - but consider the experience of French carrier Air Jet. It appeared to be ahead of its time when it introduced pre-paid cards with chips embedded in them to passengers using its services from London City Airport. Valid for two or more flights, corporate customers are invoiced at the end of the month.

All the traveller had to do was insert the card into a machine and receive a boarding pass in return. But the airline had difficulty convincing travel agents of the idea. It concluded that British travellers still wanted traditional tickets and has decided to start issuing them as an alternative. Like the paperless office, the paperless airline booking is an elegant idea whose maturity may yet be some way off.



BA typifies the step-by-step approach of most big European carriers

Loyalty programmes: by Roger Bray

Frequent flyers' bonanza

A survey found that 90 per cent of the world's business travellers now participate, with three-quarters redeeming their points

Sceptics have identified a dark threat to competition in British Airways' controversial, proposed alliance with American Airlines. But collectors of frequent flyer awards could reap significant rewards.

Not only have the two carriers promised to integrate their very different loyalty incentive programmes, dangling the prospect of increased benefits for existing customers - and the tie-up goes ahead, it will create such a dominant force on the North Atlantic that rivals may be forced to soup up their own award schemes in order to compete.

Frequent flyer programmes have come under a harsh spotlight this year. A MORI survey for the leading business travel agency chain Carlson Wagonlit suggested the programmes were proving an increasing drain on company finances.

It said some travelling executives were choosing flights which earned maximum points rather than sticking to airlines offering the most economic flights.

The proportion of travellers and corporate flight bookers claiming that such programmes tempted employees to ignore company policy had doubled in a year - from 10 to 20 per cent. Hardly surprising, perhaps, given the way frequent flyer programmes have proliferated.

however, took free flights for leisure or other personal reasons.

Enthusiasm among passengers is highest in the US, where travellers participating in such schemes belong to an average of 4.6 schemes each. In Europe, consumer awareness of loyalty schemes varies by country. Research by American Express suggests it is highest in France, the Netherlands and the UK, with the Italians cottoning on fast. Belgium and Germany, it found, were some way behind.

These national differences are reflected in the extent to which business travellers are swayed towards a particular airline by the points they can earn. OAG found that, overall, four in five admitted they were swayed, with the Americans most susceptible - and the Germans most resistant.

Against this background, it is no surprise that more managers now believe points should be poured into a collective, company pot, instead of benefitting the individual.

To the airlines, frequent flyer programmes are a versatile weapon. They can be used to help build traffic on specific routes. KLM, for example, recently offered members of its Flying Dutchman loyalty scheme double points if they booked seats on the airline's new Amsterdam-Beijing service.

The programmes have also provided fertile new ground for under-the-counter deal-

ing in free tickets - and straight fraud. It has been estimated that in the US, at least 10 per cent of frequent flyers have cheated by getting friends to fly under their names as a way of boosting their miles. This is more difficult in Europe, where there are still regular passport checks. But the reduction of those checks following the establishment of the Schengen accord, which allows for free movement of goods and people across national borders, could lower the barriers.

Another dubious practice has been the sale of tickets acquired with points to bucket shops or "coupon brokers". Mr Randy Petersen, editor of *InsideFlyer* magazine, who is an acknowledged expert on frequent flyer schemes, quotes an estimate that at one time this trade was worth some \$175m a year. But sharper detection techniques by airlines, he says, have reduced the prevalence of the practice significantly.

For passengers, the fact that points and mileage rewards often vary between routes makes comparing the difference between schemes a complex process. The number of flights they need to make to get a free trip can vary by as much as 100 per cent. Although it is not invariably so, keener, smaller airlines sometimes offer the most attractive deals.

Despite the popularity of such programmes, not every

airline has a points scheme. Dubai-based Emirates, for example, offers first and business class travellers a "two-for-one" deal, rewarding them with a free ticket which they may use, if they like, to take a partner with them on a future trip.

It seems likely that Emirates will look increasingly lonely, however. The current trend is for airlines to link their schemes. An example was Continental Airlines' recent announcement that British Midland had become a partner in its OnePass programme. This allowed Continental's passengers to earn up to 500 points on most of the UK carrier's services.

Mr Tony Clarke, managing director of consultancy firm International Customer Loyalty Programmes, says that offers of "neutral miles" could also become more widespread. Travel agents would give away part of their commission as points which could be used on any airline with a frequent flyer programme.

Dovetailing BA's programme with that of its putative new partner will involve a good deal of mental gymnastics. Not least of the problems will be to decide whether BA should fall into step with American, increasing opportunities for passengers to earn miles on discount fares. But it takes very little brain power - such is the marketing power of loyalty points - to understand why they need to do it.



British Airways' proposed alliance with American Airlines may increase benefits for existing

THE LATEST SCORES IN THE BUSINESS TRAVEL LEAGUE

Suspect defence pays the price

HOGG ROB' 2
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■ How to keep in touch: by Paul Taylor

Truly mobile office has arrived

A GSM digital telephone has become a vital piece of equipment for the travelling executive in Europe

For the business traveller, the arrival of GSM (Global System for Mobiles) cellular digital networks, powerful portable PCs equipped with big colour screens and fax modems for data communications have made keeping in touch with the office much easier over the past five years.

Portable PCs and the notebook PC in particular, have established themselves as mainstream business tools, helping individuals to stay in touch while on the move. Used in conjunction with fixed or wireless communications links, the portable PC is helping companies and other organisations boost customer service, improve productivity and provide additional workforce flexibility.

"Companies are acquiring portables in record numbers, indicating pent-up demand for the flexibility afforded by being mobile," noted a recent study of the European market for portable PCs prepared by International Data Corporation for Dell Computer.

Indeed, portable computer sales are growing twice as fast as sales of desktops in some markets as companies replace desktops with portables, often sold with docking stations or port replicators enabling them to plug into corporate networks easily. For example, Dell Computer, whose highly successful "Latitude" notebooks have helped the company climb into the top tier of mobile computer vendors along with Toshiba, Compaq and International Business Machines, says that 70 per cent of its machines are sold with port replicators.

However, the IDC report also suggested that despite the high adoption rate for portable computers, many companies are failing to get the most out of their machines. In Europe, for example, less than half the companies using portables support remote communications, even just for e-mail. In the US, that percentage exceeds 80 per cent and the most common application

for portables is e-mail. "Optimising applications for mobile computing can be as simple as providing remote e-mail connections or as complex as developing enterprise-wide sales force automation applications that rely on major back-end databases," says IDC, "but almost any effort will be rewarded. Simply allowing users to work in new venues - at customers' sites, at home or on the road - can increase productivity and job satisfaction."

Other findings from the IDC study included the revelation that almost a third of European mobile PC users share their systems with colleagues and most still use their desktop system as their primary machine. In contrast, in the US, the portable PC is the primary system half the time at large and medium-sized companies, and less than 10 per cent of mobiles are shared.

Once, the business traveller had to make do with portables that suffered from a wide range of disadvantages over their desktop counterparts. However over the past year the performance gap between desktop machines and their portable counterparts has narrowed considerably.

Today's top-of-the-range portable PC such as Dell's recently-launched Latitude Xpl P150ST boasts a fast Intel Pentium microprocessor, a huge hard disk, 12-inch or larger colour screen, and an integrated CD-Rom drive - ideal for presentations on the road - all in a package that weighs just over seven pounds.

Almost all manufacturers have abandoned the market for black and white screens. For the moment, "passive" STN (Super Twisted Nematic) screens still account for a majority of sales - Toshiba, the notebook market leader, says 55 per cent of its machines are sold with STN screens. However, the higher-quality "active matrix" TFT (Thin Film Transistor) screens are gaining market share as greater manufacturing capacity and higher yields help erode the price premium.

Larger colour screens and longer-life Lithium Ion batteries - which provide considerably more power than earlier Nickel Hydride technology while weighing much less - are becoming the norm on top-end machines. Most of the leading notebook

manufacturers have now introduced machines based around Intel's Pentium 133MHz and 150MHz processors as they attempt to differentiate between entry-level and premium-priced machines.

The universal acceptance of the PC-Card standard for adding peripheral devices such as modems has also made mobile computing much easier - and less cumbersome. Most portable machines now have two PC card slots capable of taking the credit card-sized devices which used to be known as PCMCIA cards. As the demand for connectivity while on the move grows, the market for PC-Card modems, network adapters and wireless data cards is expanding rapidly.

For example, a portable PC equipped with a fax modem card, communications software such as ProComm Plus and a telephone connection can send a facsimile from the hotel room, dial into a corporate customer database or send and receive electronic mail via the Internet.

For the ultimate in mobile connectivity, a portable PC equipped with a cellular data card can be plugged into a

digital GSM handset to send or receive data from almost anywhere in Europe and a growing number of other places where there is a GSM network. Indeed, a GSM digital telephone itself has become a "must have" for the travelling executive in Europe. According to independent research commissioned by Cellnet, the UK-based network operator, digital mobile phones can bring savings of almost 50 per cent on average when compared with hotel phone charges.

The study found that it was cheaper to call the UK with a digital mobile phone compared with a hotel telephone from ten out of 11 countries. "With more than five and a half million people already using mobile phones in the UK, everyone is now aware of their convenience and practicality," says Sue Jones of Cellnet. "Many people will be surprised to learn, however, that with the new generation of digital mobile phones, they have the potential to actually save money on business trips abroad."

Cellnet's research revealed that all the hotels surveyed added at least 100 per cent to the cost of an international

phone call and almost half increased the cost of calls by more than 400 per cent.

For those business travellers with limited computing needs and deep pockets, the latest generation of wireless digital personal assistants - devices which combine the features of a digital telephone and a high-powered electronic organiser - are attractive. For example, the Nokia 9000 enables the user to send and receive e-mail and cruise the World Wide Web as well as make standard phone calls all from a single (large) pocket-sized device.

Indeed, the marriage of hand-held PCs and wireless telephony - in new devices from Nokia and Motorola, as well as add-on enhancements to existing hand-held machines such as the Psion 3a, 3c, Apple Newton and HP 100LX - is re-igniting interest in the pocket-sized computing market following disappointment with first generation PDAs which lacked wireless communications facilities.

Overall, keeping in touch while on the move has never been easier. It seems the truly mobile office has finally arrived.



Mainstream business tools: executives can access the Internet via the GSM network using Pipex Dial

Hot technical tips

Troubleshooting on the move

Business travelling with a "mobile office" - portable personal computer, fax modem and telephone - in the 1990s should be straightforward. But, as most frequent business travellers know, technology rarely works in the real world the way it is supposed to.

Modems can not be connected because telephone plugs are the wrong ones or you left the office with the wrong lead: a message on the cellular telephone screen says the call cannot be connected.

Here are some top tips which may help minimise the risks associated with portable computing and telecommunications:

- Buy a spare battery pack if your PC or digital GSM telephone will be used for more than a few hours away from a mains socket.
- Along with the portable PC power lead and mains transformer, a plug adapter is essential.
- Most built-in portable PC devices are fine for short periods, but if you plan to run Microsoft Windows for any length of time, take a proper mouse.
- Make back-up copies of the operating system and any essential software before leaving the office in case something disastrous happens. A corrupted Windows file is relatively easily replaced in Los Angeles, but how about Beijing?
- Unless good user support is available at the end of a telephone line, or the on-screen help is comprehensive, take the manuals.
- At many airports, security officers will want to see a portable PC

working, so charge the battery before setting off. ● Whatever the type of modem, it will be useless without a telephone connection and there are about 38 different types of telephone socket in use around the world - including approximately 20 old and new-style sockets in Europe.

Try to select hotels with a business centre, most of which are equipped with modem-friendly telephone sockets, usually of US-style modular design.

Other hotels have installed secondary fax or modem slots in bedrooms or desktops.

- If you expect to make a lot of long-distance voice or data calls from hotels, a phonecard from one of the international operators will dramatically reduce hotel bills.
- For e-mail or Internet access, CompuServe and International Business Machines both have local telephone access numbers in most parts of the world, and for data file transfer packet-switched services such as British Telecom's GNS.
- Remember, a local GSM network does not guarantee simple data or voice communication. First, there must be a roaming agreement between the home network operator and the overseas network.

Second, the subscriber's home network must be programmed to allow operation overseas and international call barring must have been lifted. ● If you are superstitious, pack the lucky charm - or as Windows 95 users say: "Ping and Pray."

Paul Taylor

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4 BUSINESS TRAVEL: Be prepared



A fan full of dollars - clean and unmarked, and in small denominations - can smoothe the way in many awkward situations

Currencies: by Graham Bowley

Cards, cash and cheques

Credit cards are not always the answer. In some countries, even in Europe, a cash and cheque culture still dominates

The disadvantage of carrying cash is that large amounts of money are a temptation for robbers and, if stolen or lost, cannot be replaced.

Cards deny travellers the opportunity to take advantage of more lucrative black market exchange rates sometimes offered for cash.

Small US dollar bills are useful when bagging, but large bills can be very persuasive in an emergency.

The adventurous business traveller perusing Moscow's rambling Izmailovo market soon realises the wisdom of carrying crisp, unmarked US dollar bills.

But credit and debit cards perhaps represent the utmost in security.

Nowadays, much business travel is financed through the issue of corporate credit cards.

Perhaps the best advice for the business traveller is to carry a combination of credit cards, travellers cheques - in large and small denominations - and US dollars, again in large and small denominations.

For in Russia's shops and markets, just as in the shops and street bazaars across the former Soviet Union and elsewhere in the emerging world, the US dollar has become the unofficial accepted currency.

Mr Mark Gardner, corporate marketing manager for Diners Club UK, advises: "The best way to travel is not to carry vast amounts of cash especially in certain places like Rio where there is a serious risk of muggings."

Research has shown that about three-quarters of British companies provide their employees with some form of corporate card on the company's account.

Mr Aubyn Stewart-Wilson of Willis Corroon, the insurance and risk management group (it advises clients on security and offers a kidnap and ransom insurance package; tel: 0171 975 2041), says Latin America and the Middle East top the list of danger spots, with extra care needed in the former Soviet Union and the Philippines.

If you want to avoid disappointment when bargaining for the exotic coloured rug or the painted matryoshka doll that takes your fancy, carry a bundle of US dollars - and make them clean and unmarked, and in small denominations, at that.

But of course the dollar is not the only means of payment recommended for the wide-ranging traveller. The wise tourist will also carry credit cards and travellers cheques.

As for getting the best rates of exchange, perhaps the most useful advice is to stick to the main commercial

banks in the destination country. Hotels and bureaux de change tend to charge higher rates. But if you are going to use travellers cheques, it is advisable to bear in mind that it is easier to change small-denomination bills, especially in shops.

Away from the street markets, Moscow's upmarket hotels accept most types of credit and debit cards, and bills must be paid in roubles by law. Dollar bills are no use here, even though restaurant menus may still be priced in what the law forces them to call "unofficial units" - dollars in other words.

Credit cards can also represent a cash-flow benefit for the user - or for his or her company - because payment of the credit card bill need not take place for quite a while after the initial expenditure has been incurred.

And credit card users avoid the hassle of having to repay unused travellers cheques or cash paid in advance by their companies for their travels.

As for getting the best rates of exchange, perhaps the most useful advice is to stick to the main commercial

Security: by John Westbrooke

Steer clear of crocodiles

A 'Please make up my room' sign on your hotel door often translates in the local language as 'I'm out; help yourself'



Johannesburg: a Bupa study found South Africa one of the worst places for muggings

It may be perfectly possible to spend a week safely signing contracts in Iraq, then return home and be mugged on the tube. But the caution most westerners feel about travelling abroad is justified: you are more vulnerable when in strange countries than when at home.

A recent survey by Visa International found that 42 per cent of European business travellers avoided certain countries altogether, although Britons - with only 36 per cent deterred - were the bravest.

Some countries are certainly perilous, especially since, over the past decade or so, rebels have hit on the idea of targeting foreigners. For mere muggings, a Bupa TravelCover study found Hungary, Poland, South Africa, Morocco and the Gambia the worst.

In Britain, the best source of information about dangerous destinations is the Foreign Office (tel: 0171 238 4503/4), which offers frequently updated advice on 123 countries; this is also available on BBC3 Ceefax (pages 564-567) and at <http://www.fco.gov.uk> on the Internet.

Travellers can also minimise the risks by getting detailed reports on their destinations from commercial advisers. The Control Risks Group (tel: 0171 222 1552) offers report packages, or more detailed individual briefings, to clients - and if things go badly wrong can offer them a crisis response service within 24 hours anywhere in the world.

Mr Aubyn Stewart-Wilson of Willis Corroon, the insurance and risk management group (it advises clients on security and offers a kidnap and ransom insurance package; tel: 0171 975 2041), says Latin America and the Middle East top the list of danger spots, with extra care needed in the former Soviet Union and the Philippines.

At the airport, book non-stop flights and sit near an emergency exit. Take photocopies of the information pages of your passport, and keep them apart. Watch your laptop through the X-ray machine; P&O Travel reports a recent outbreak of thefts at Brussels and Frankfurt airports.

Arriving in a strange airport - jet-lagged, not speaking the language, and with no small change in your pocket - can leave you vulnerable. Ideally, arrange for the company you are visiting to meet and greet you and explain the local culture. Airport officials can tell you where to find taxis.

Vehicle hire employees will tell you what parts of town to avoid. Hotel staff know about bus routes and business hours. Good hotels will take special care of women, who make up a fifth of business travellers.

Guide books: by Kate Bevan

Business travellers are often neglected

Some of the best known guide books started out as bibles for the backpacker to cart around the globe for a year

the central business areas, listings of the kind of hotels the executive's budget can stand, tips on how to get around and some suggestions on shopping and leisure.

According to the information in the back of the book, there are sister volumes on Indonesia and Vietnam - and it has the added bonus of being small and light, too.



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You are off on a quick trip to Jakarta. You've never been there before and neither have any of your friends.

The office travel department has organised your flights and your hotels, and your client has agreed to go out for dinner with you on the second night. Apart from that, you're on your own. So a quick trip to the bookshop near the office in the lunch hour to pick up a guide book seems like a good idea.

That is, until you see the array of books on offer. You're only going to be away for a few days so you cannot justify buying the vast Lonely Planet guide to south-east Asia. Anyway, that is full of exhausting detail on cheap eateries and crashpads for the young and unwashed backpacker, with not a picture in sight of what the place actually looks like.

The Insight guide has lots of lovely pictures and some good ideas for half-day sight-seeing itineraries, but precious little on how not to offend your Moslem host or to avoid some appalling gaffe - such as a warning to never, ever, hand over a business card with your left hand.

And all these guides weigh a ton. There are very few guides designed for the business traveller. Inevitably, for most destinations individuals will end up selecting something that is pretty close to what they want but which will be deficient in at least one area.

One honourable exception is Malaysia: a kick start guide for Business Travellers (Self-Counsel Press, £8.99), which has no pretty pictures but lots of timely information on business culture, a quick overview of the economy of the country, maps of

Better known are the Economist guides, which cover much the same ground and which offer realistic assessments of what the business traveller will be up against.

Some of the guide books started out as bibles for the backpacker to cart around the globe for a year. Now their publishers have come around to the fact that people with a bit more than \$5 a night to spend on a bed have been using them - and have repositioned some products accordingly.

Lonely Planet's city guides are a good example of this. Its Bangkok guide, in its "places to stay" section, remarks on the growth of small, upmarket "boutique" hotels which would appeal to the business traveller. However, the arriving executive still has to wade through a lengthy discussion of where to buy the cheapest air tickets and the merits of saving a few baht by getting the non-airconditioned pub-



Dorling Kindersley's Eyewitness series - one of many offerings

The Financial Times plans to publish a Survey on World Airports on Monday, November 25

The world's airports will have to deal with an expected doubling in the number of air travellers over the next 20 years. They will have to do so while ensuring their customers remain safe from terrorist attack and while environmentalists oppose expansion of their buildings and runways. This survey will analyse and assess developments in the industry.

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Sea and rail: by John Westbrooke

Fast track into Europe

As Britain becomes more closely tied to Europe, competition between different modes of travel can only be good for travellers

British business travellers are rapidly learning something that their continental European counterparts have known for years: flying is not, after all, the only way to travel.

The reason is simple: the Channel Tunnel. After years

of watching the domestic rail network wither, Britons could be forgiven for regarding trains in the same light as hansom cabs. Now, they suddenly appear competitive with air travel, in time as well as cost, for journeys of about three hours.

Paris and Brussels, the main destinations served by the Eurostar rail link through the Channel Tunnel, both fall inside this limit.

The train's big advantage is that it takes passengers with their bags from city centre to city centre; you do not have to turn up 10 minutes before departure (20 minutes with economy fare) but there is no need to travel miles to

Heathrow or Charles de Gaulle; no hour's wait in a crowded lounge; and no delays while you wonder where your luggage has vanished. The views are better, too.

At present, the fast track is the French track, where trains reach their full speed of 186mph. Belgium aims to open its own high-speed line next year, cutting 15 minutes from the journey. The British equivalent will not be ready until 2002, when it is, Brussels will be only two hours from London and Paris two hours and 20 minutes.

This will bring more territory within the three-hour circle, and link more passen-

gers with Europe's high-speed trains. France's TGVs run to Biarritz and Nice; Germany is connecting Munich and Hamburg; Italy's Pendolino trains run between Milan and Rome. A network called Thalys will link Paris, Brussels, Amsterdam and Cologne; Eurostar travellers can also join it at Lille. You can travel by train from London to Moscow with only one change.

In addition, connections to Manchester, Birmingham and Glasgow should open next year, so should an Internet booking facility.

A new Premium First class is now being phased in, offering free taxis and tickets which can be exchanged

for British Midland flight tickets with a telephone call, as well as the standard business class perks of late boarding and a business lounge. The former costs £35. The latter £35.

The other Channel Tunnel operator, Le Shuttle, is targeting business travellers who wish to take their cars with them. For a £15 supplement they can travel Club Class, with access to a lounge with meals and fax and laptop facilities, followed by priority boarding.

All this has had a marked effect on airlines serving the same routes. "We now have 50 to 55 per cent of the market in London-Paris travel," says Mr Jeremy de Souza of Eurostar. "We're aiming at around 70 to 75 per cent in the next couple of years." There are already 13 departures a day to Paris (the first at 4.53am) and seven to Brussels.

To the benefit of travellers, airlines sometimes decide to join the trains rather than beat them. British Midland, forced by the new competition to drop its Heathrow-Paris Orly service, has linked with Eurostar's Premium First, and other airlines may follow.

Lufthansa years ago responded to the challenge of high-speed trains by setting up its own, between Düsseldorf and Frankfurt airports. Paris-Charles de



Eurostar trains reach 186mph on French track. Belgium aims to open its own high-speed line next year.

Gaulle, Lyons and Amsterdam airports also have rail terminals. A truly integrated, Europe-wide transport system is a long way off, but it is no longer pure fantasy.

The benefits of rail are recognised beyond Europe. Japan has long had its Bullet Train, but even the Americans are now working on one.

A Washington-New York-Boston high-speed line now under construction should cut the journey time by 25 per cent, while offering business travellers fax and computer facilities and even in-carriage conference rooms.

For cross-Channel travellers who prefer sea travel, ferry companies also have their eyes on the business market, offering fast new ships and loyalty schemes. Hoverspeed is replacing its two-year-old Blue Riband club - whose members paid an annual fee - with a new service, First, on its Folkestone-Boulogne and Dover-Calais routes.

For a supplement, travellers get bigger seats in a separate section, with tables and more leg room, along with free drinks, priority boarding, reservations, hot towels... much like an airline business class, in fact.

"We're delighted with success of Blue Riband," says Ms Catherine Davey of Hoverspeed. "In the first six months of this year, we carried 55 per cent more business travellers than a year earlier. We think we offer more service than airlines or ferries - our passengers can get their business taken care of just the middle of the trip." As Britain becomes more closely tied to Europe, competition between different modes of travel can only be good for travellers. They are seeing the benefits already.



There are alternatives to flying: the train's big advantage is that it takes passengers with their bags from city centre to city centre

Car rental: by Amon Cohen

Hire rates have rocketed

For the imaginative individual and the corporate client, there are ways to bring down the cost of car hire, even in the face of rising prices

Motor manufacturers are protecting the prices of new vehicles against cheaper, nearly-new cars that hire companies push on to the market, usually after only six months in service. To do this, the manufacturers are restricting the flow of vehicles into the rental market, while pushing up the prices for those cars by as much as 35 per cent a year, according to Antoine Cau, president of Hertz International.

According to one industry estimate, car hire charges to the public have risen by an average of 15 per cent over the past 12 months and will climb by a further double-figure percentage over the forthcoming 12 months. Mr Cau claims that by introducing further technology-driven efficiencies, Hertz has restricted its increases to seven-10 per cent.

Customers are beginning to fight back. Business travel agents report that clients are seeking help to find ways of avoiding car hire, such as turning to rail, domestic air travel or even videoconferencing.

But the good news is that for the imaginative individual and the corporate client, there are plenty of ways to bring down the cost of car hire, even in the face of rising prices.

As an illustration, Mr Cau points out that Hertz's standard prices for renting a Ford Mondeo and a Ford Fiesta for a day in the UK are £76 and £55 respectively. However, if the vehicle is booked while reserving a

ticket with one of Hertz's airline partners, such as British Airways, Lufthansa and Air France, those prices immediately fall to £50 and £44.

For even greater reductions, small and medium companies can agree a corporate plan with Hertz that brings prices down to £30 for the Mondeo and £22 for the Fiesta. As for large multinationals, they can sign an international deal with Hertz that could reduce the prices to £21 and £17.

Naturally, Hertz wants something in return - a commitment to volume. The small and medium companies would have to guarantee to buy 20,000 rental days a year, while the multinationals would have to commit themselves to 200,000 days. However, there is no need to be a sizeable business to secure a deal in advance.

"I would advise all corporate travellers to have an agreement in place before they travel," says Mr Neil McCrossan, UK sales director for EuroDollar. "Don't just turn up on spec. In the current market, availability will be limited and you won't get the most attractive price."

According to Mr McCrossan, any company can save 10 per cent simply by collecting comprehensive management information on its car hire. The collected data will help customers to co-ordinate spending on issues such as vehicle size, insurance and refuelling options.

"There are lots of areas where if you don't batten down the expenses at the start, they will creep in later as extra costs," he says.

Even more fundamentally, the management information is needed simply to form an accurate picture of how much a client spends on car hire - precisely the figures that are needed to negotiate a volume-based rebate.

"People often have no idea how much they spend on rental," says Mr McCrossan. "Sometimes it goes down on expenses as a general item that is bought ad hoc on the corporate card."

Mr McCrossan also advocates the growing trend towards car hire implants, where clients have a representative of the rental company on their premises. At present, this practice is confined to the UK, where EuroDollar has seen its number of implants rise from 33 to 40 over the past year. "This is all about cost control, not about reservations, which can be done from anywhere," he says.

"It is a way of taking the customer's rental requirements and making sure they are managed for the minimum spend."

One other thing to watch out for in the changing car hire market is the return of the mileage rate. This had largely disappeared over the past few years in favour of a bundled flat rate, where customers have the benefit of knowing exactly how much they are going to pay.

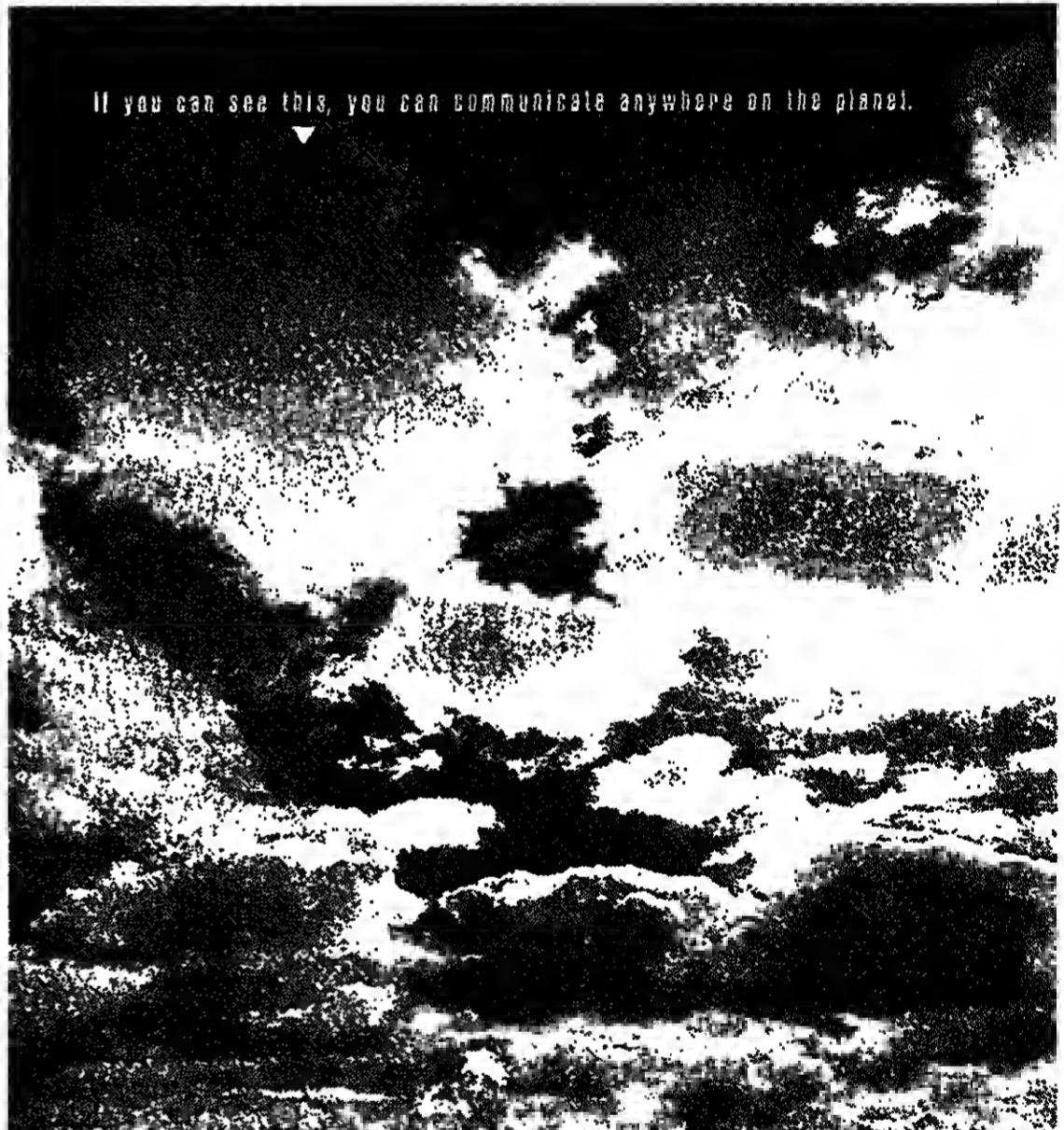
However, mileage has started to creep back in the US and in continental Europe, where Europcar has reintroduced it to the French market.

Mr Stephen Jones, Europcar UK marketing director, claims the idea has proved a success. "Our reversion to mileage has been credited with our taking market share in France," he says. "It has opened my eyes to the fact that bundled pricing isn't everything. Bundled prices tend to average on the higher side because they tend to take into consideration the extremes of customer behaviour."

For those contemplating only short journeys, a mileage agreement could at least be worth a look.



Hertz offers corporate deals to cut the cost of vehicle hire



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6 BUSINESS TRAVEL: Hotels

Boutique hotels: by Kate Bevan

Escape from the bland beige boxes

Idiosyncratic style is not to everyone's taste, but nonetheless boutique hotels are doing well, at least in London

Another business trip, another vast marble-lined lobby full of conference groups and tourists. Once you have checked in, after that group of delegates who each took at least 10 minutes to produce a credit card, you find that your room looks the same as the one you had in New York - or was it Singapore?

Anyway, the predominant colour theme is beige, the bathroom is full of marble and the light by the bed does not work. And what's more, the company is paying £200 or more a night for the privilege of putting you up in a beige-lined box.

But not all hotels are like this. The past 10 years have seen the rise of the townhouse or boutique hotel. Mr Nigel Massey, a marketing consultant, claims London as the birthplace of the small upmarket hotels, but others say they probably emerged in Paris, hence the tag "boutique hotels".

A boutique hotel is generally described as a small, elegant property, often privately owned, catering for the traveller who is looking for something a bit different to the concrete block. And nobody could describe the crop of townhouse hotels in London as bland.

A flick through the brochures of the Sloane, one of the smallest with just 12 bedrooms, or the Portobello, reveals their individuality. At the Sloane, one of the rooms features a bed festooned in lilac and green check with a lilac canopy above, while the Portobello boasts a suite with a bath big enough for four.

Such idiosyncratic style is not to everyone's taste, but



Idiosyncratic style: the Portobello hotel in London boasts a suite with a bath big enough for four

nevertheless the properties are doing well, at least in London. While admittedly starting with small numbers of rooms, they nonetheless claim to have an average occupancy rate of 88 per cent, with a market made up of about 30 per cent European guests, 10 per cent from Australasia and the rest from the US.

Of the Americans, according to Mr Massey, about 65 per cent are from the east coast of the US, with the rest from the west coast. The New Yorkers will find the boutique hotel a familiar concept: the Big Apple is home to the Lowell hotel, a 65-room property popular with what Mr Massey describes as "the three Ms"

- music, media and models, and the Mark, both on the Upper East Side.

Marketed through associations such as Small Luxury Hotels of the World, and the European Connection, the concept has spread to other European cities, including UK centres such as Leeds, Glasgow and Edinburgh.

The bigger international hotel groups are now starting to experiment with boutique properties. The Observatory in Sydney, part of the Orient-Express group of hotels, is an upmarket property with just under 100 rooms, while Inter-Continental's 79-room property in Amsterdam goes some way to dispelling the image of the concrete block hotel which the big chains are notorious for.

In Thailand, Regent-Four Seasons has extended the concept to an upmarket 70-

room resort at Chiang Mai in the north of the country. Like many smaller resort-style properties with an individual style, the Regent Chiang Mai also aims for what general manager Mr Simon Hirst describes as the executive brainstorming market, with meeting and catering facilities for small groups.

However, he aims to limit the numbers to no more than 20 rooms to avoid flooding the resort with delegates. Nonetheless, it is a core market for the resort, providing up to 25 per cent of its business.

Mr Borge Ellgaard, vice-president of hotel relations for American Express, believes the small upmarket hotels have a tremendous future. He says they are "more like a private luxury home or a club which appeals to the top end of the business travel market such as the chief executive or a senior director". And they are very profitable, according to both Mr Massey and Mr Ellgaard. Mr Massey points out that they are generally privately owned and have much lower overheads than what Mr Ellgaard calls "the big monsters".

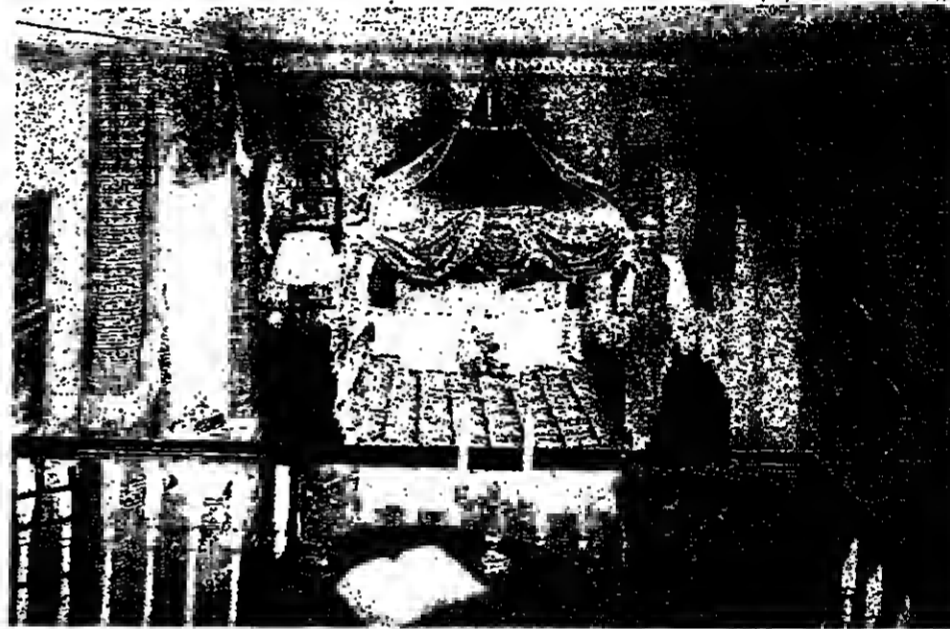
The boutique hotels' pricing strategy is presented as a strength, according to Mr

Massey. Although there are no discounts, and no corporate rates at many of the London townhouse hotels, their "rack" rates compare favourably with corporate rates at many of the big chains: a room at Dukes in central London starts from £165, while a double room at the Sloane hotel is from £120 a night.

"They are good value for money, with very competitive rates," says Mr Ellgaard. But he highlights some of the disadvantages - of choosing a small hotel over a bigger one: "The perception is that they lack the things that the executive needs. There are no de-stressing facilities such as a pool or a gym."

"They are not just expensive bed and breakfast hotels, as some people have said," says Mr Massey. "People say they have no room service - but they do. There's always a full kitchen. They're usually air-conditioned, and if you want a letter typed or a fax sending, no problem."

With similar properties springing up in Europe, the US and Asia, the jaded traveller who has seen too many beige rooms in big hotels might think again about where to spend the corporate accommodation budget.



At the Sloane, one of the rooms features a bed festooned in lilac and green check with a lilac canopy



Rates for a room at Dukes in central London start at £165

Traveller's view Jeffrey Max

Personal touch is 'unbeatable'

Someone who travels 1m miles a year is entitled to be picky about where he stays. Mr Jeffrey Max, a 39-year-old American, is on the move for a total of about four months a year in his job as a senior vice-president for Systems Development Corporation, with trips lasting between 10 days and two weeks.

Mr Max is a convert to boutique hotels. "When you're travelling that much, you're much more productive if you feel at home in a hotel," he says. "There's all the technology and efficient staff in the big chains, but when someone greets me by name because they remember me from my last visit, when there are clothes in the room that I left behind last time, I feel instantly more productive. The personal touch you get in the smaller places is unbeatable."

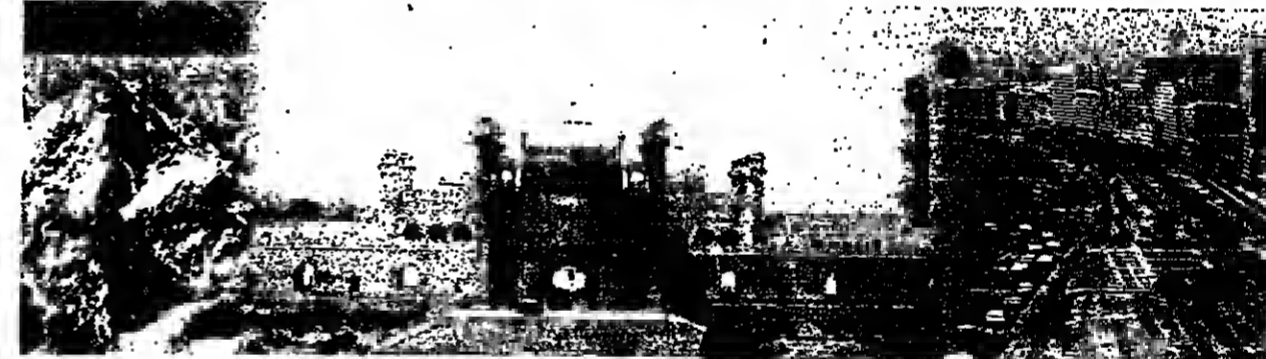
"For many years my favourite boutique hotel was the Halkin in London," says Mr Max. "I was their first guest when it opened. But recently I've been introduced to Dukes Hotel. "At both the Halkin and Dukes I like their personal touch. The staff make the effort to know your preferences. For example, I like flowers in my room, and I like certain flowers, and they are always there. "When my children were born they sent flowers to my wife - it's little touches like that that buy your loyalty and make you feel

special. I know I'm just a number on an American Express card really, but they do make the effort."

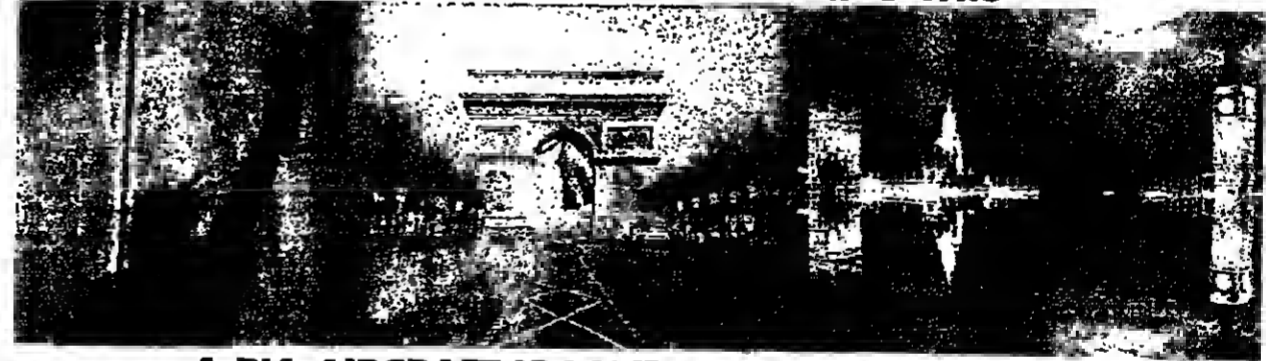
He feels the boutique hotels in Europe are particularly successful. "They need to maintain a level of courtesy and distance while still being friendly and helpful. That's difficult to achieve in the US - the staff feel they have to be your best mates. But in London you find a nice mix of helpfulness and friendliness."

Small hotels are undoubtedly good at winning loyalty, but they repay it, too. Says Mr Max: "Back in 1991, I had planned to be in Madrid, and had made a reservation at the small hotel I stay in there about a month and a half in advance. "My secretary phoned to confirm the reservation four days before I was due to arrive, and there was no problem. But when I arrived there were metal detectors, snipers on the roofs of nearby buildings, guard dogs: very high security. They stopped my taxi when I arrived and asked me what I was doing there, then waved me through. "It turned out that the whole hotel - bar my room - had been taken over by the Palestinian negotiating committee for the Middle East peace process. Rather than turning me out they'd kept my room for me."

Kate Bevan



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Hotel loyalty programmes: by Scheherazade Daneshkhu

Regular visits are the key

Prizes range from a free weekend night to a free stay for two for a week, including airline tickets and car rental

Hotel loyalty schemes are the younger sibling of frequent flyer programmes and they typically operate in much the same way.

The more nights you spend with a hotel group, the more points you earn. These can then be exchanged for prizes, usually free nights, room upgrades or even casino chips such as in the Sheraton's scheme.

Many hotel groups have developed their schemes in partnership with airlines so travellers can earn frequent flyer points without having to fly.

Details of the schemes vary from company to company. Some only give points

if guests are paying the full or "rack" rate. In some cases, not every member of a chain operates the system. And some companies may also offer more than one type of programme.

For example, Marriott operates both a points system and a mileage scheme. Under its Honored Guest Awards programme, travellers earn points for each stay, based on the cost of their room and get bonus points for travelling with the group's airline partners or hiring a car through Hertz, its rental partner. Prizes range from a free weekend night to a free stay for two for a week, including airline tickets and car rental.

But after researching the way frequent flyer programmes work, Marriott introduced Marriott Miles three years ago, a parallel scheme under which miles are credited to the guest's frequent flyer account.

Mr Peter Dennis, manager of marketing automation for

Europe, the Middle East and North Africa, at Marriott International, said that the research showed that business travellers were only loyal to a frequent flyer programme until they could claim their prize.

"With Marriott Miles, our aim was to direct the loyalty to us." Guests can be members of both schemes but they have to choose between earning miles or points.

However, Hilton Hotels Corporation allows "double-dipping" with its HHonors loyalty programme. It claims to operate the only scheme which allows travellers to exchange points for airline miles and exchange airline miles for points.

For example, once you have 5,000 airline miles with Hilton's airline partners, these can then be exchanged for 10,000 points; alternatively, 10,000 HHonors points can be exchanged for 1,500 airline miles. The loyalty scheme will soon be extended to Hilton International, owned by Ladbroke, the UK-based betting company which has the rights to the Hilton brand outside the US.

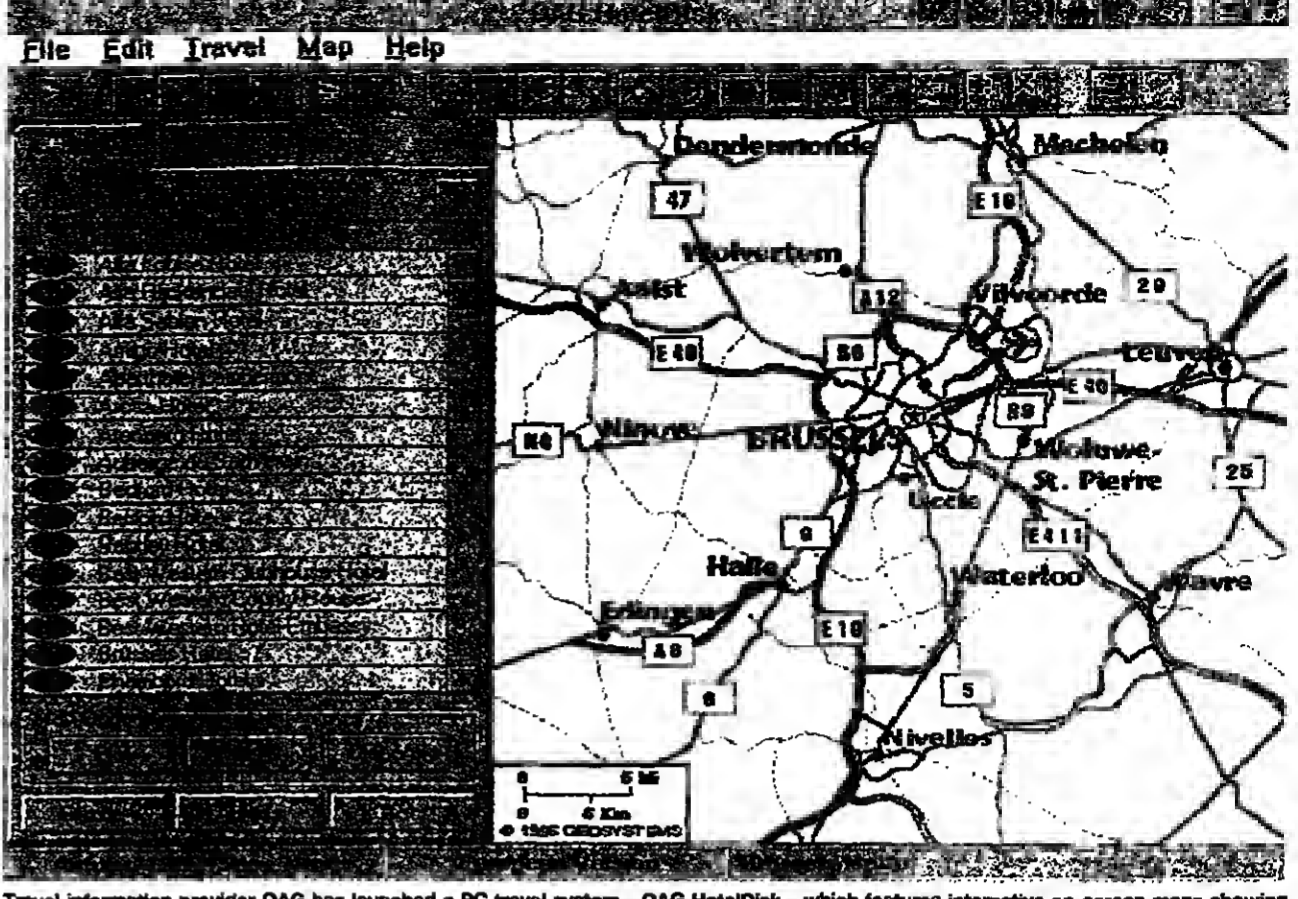
Some hotel loyalty schemes are guest recognition programmes, under which the guest does not accumulate points but is given benefits instead. Inter-Continental's Six Continents Club, which

unusually for a loyalty scheme is fee-charging, gives members benefits such as priority reservation, room upgrades, early check-in and late check-out. Guests can also earn mileage points with the group's 29 airline partners.

Although some hotel loyalty schemes have been around a long time, they have not in general penetrated the business travel market to the same extent as frequent flyer programmes. In part this is because travellers spend more time flying than they do staying in a hotel - many business trips do not involve an overnight stay.

In addition, hotel loyalty schemes, which originated in the US, are still less well-developed outside the country, partly because branded hotel chains are less well-represented in the rest of the world. While three-quarters of US hotels are affiliated to a chain, less than 30 per cent are branded in Europe. The percentage for Asia-Pacific countries is similarly low.

Unless a hotel chain can offer guests a hotel wherever business happens to take them, it cannot expect a high degree of customer loyalty. Travellers, too, can find it difficult to build up points with hotel loyalty schemes unless they travel frequently within the US, according to Mr Paul Slattery, leisure



Travel information provider OAG has launched a PC travel system - OAG HotelDisk - which features interactive on-screen maps showing the location of business hotels within a given city. The system features more than 15,000 of Europe's hotels in 8,800 towns and cities

The pros and cons: by Kate Bevan

Small things can get on your nerves

Down-to-earth problems can become pet hates for regular travellers

Mr Andrew Solum, travel manager of Inmarsat, the global communications company, is a hard man to pin down. He travels a couple of times a month, with trips ranging from a one-day dash from his London base to a maximum of three weeks away from home. As with many frequent travellers, his likes and dislikes are very specific.

"I hate queuing, immigration, customs and passport control, particularly coming back into the UK," says the US-born executive. One of his pet hates is the bureaucracy of organising visas: "They can cause you to rearrange your trip."

"We tried to arrange a visa for the US at short notice for an Australian member of staff. They required five days notice, which we couldn't give them because he'd been invited to a conference at the last minute as a replacement speaker."

"Then we got a letter from the US embassy ticking us off for not arranging the visa well in advance. They said: 'These conferences are arranged in plenty of time, you shouldn't leave it till the last moment to get a visa.'"

Mr Solum has a solution for this particular frustration. "I'd like to see competition - the same embassies having different offices with targets to meet."

"Some take three days to issue visas, some take three weeks. And nothing is standardised."

"They all require pretty much the same information but all with different forms. And they cost so much - I had to pay £500 for a visa once."

It is often the small things that get on a regular traveller's nerves. Mr David Radcliffe, managing director of Jogg Robinson Business Travel International, has a niggle about luggage:

"I hate it when there's no room in those overhead bins on the aircraft for bags. I flew recently with an airline that had a clever boarding system - they boarded passengers with window seats first, then the centre seats and then finally the aisle seats. But the problem was that like many other regular travellers, I always choose an aisle - and by the time I was boarded there was nowhere for me to put my bags."

He goes on: "I hate it when you go through Fast Track



David Radcliffe: luggage niggle

departures at the airport and discover that the queue there is longer than in the ordinary channel. I also hate it when you queue for ages, then you're sent off for miles and miles, you finally get to the car and you discover they've given you the wrong key."

A bigger concern for Mr Solum is the cost of keeping in touch. With hotels imposing steep mark-ups on telephone calls, modern communications can add up to at least as much as the room cost - one of his colleagues once had to send a 22-page fax from Hong Kong at £11 a sheet.

Regular travellers can always go on for as long as you let them about the niggles, slights and general inconvenience of travelling. Mr Solum hates the anti-social hours at which scheduled airlines deposit passengers - in Bangkok at 6am, for example - and the fact that hotels often cannot accommodate the weary arrival until noon.

Mr Radcliffe likes to be left in peace on a long flight, not woken up regularly to be offered a service he does not want.

But press the jaded executive enough and even the most hardened can come up with something they like. Mr Solum says travel can be an adventure.

"It makes you realise the world is terribly small - we really are a global village. You can fly to Sydney for just five days."

"And travel can change your life. You never know who you're going to meet at a conference, or who you're going to sit next to on a plane."

Mr Radcliffe's likes are more down to earth. "I like a taxi driver that keeps quiet; I like a short drive to a hotel. And when I get on a plane, I like a smile. Despite its size and the fact that it's re-engineering a large organisation, British Airways is still pretty good at that, and American Airlines is getting much better at it."

He also likes a hotel that makes an effort. "I love fast hotel service. If room service is slow, I won't stay there again."

But like many executives who are often on the move, what Mr Solum likes most about travelling is getting home.

"It makes you really appreciate your home; sleeping in your own bed; bathing in your own bath. It makes you realise how lucky we are to live somewhere the electricity works, the phone works, the transport works."



Andrew Solum: very specific

"I need my own space."

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3 BUSINESS TRAVEL: Distant destinations

■ South America: by David Pilling

Humdrum familiarity

Gone are the days when the price of a meal could change while you were eating it

Business travel tends to be so humdrum these days that a trip to South America may well be much like a visit anywhere else. Aircraft arrive with surprising punctuality, hotels are the usual concrete non-entitles, and business meetings are normally conducted in faceless, air-conditioned offices on the 26th floor.

Big Latin cities, at least in their generally prosperous centres, have done a fair job at imitating their counterparts in Europe or the US. If you were plunked down momentarily in the business district of Brazil's São Paulo you could be excused for thinking you were in New York. A similar experience in Buenos Aires, Argentina, might put you in mind of Paris.

Such familiarity, culturally as well as architecturally, often comes as a disappointment as well as a relief to the visitor, who might have expected something just a little more exotic. But Latin America becomes more different the more you scratch below the surface.

Try to visit the home of one of your hosts, take in a local cultural or sporting event (football matches highly recommended for the

steely nerved), or plan an excursion out of town. The more you rub shoulders with normal Latin Americans, rather than the business people you are scheduled to meet, the better understanding you will gain of what really makes the country tick.

● **How to get there:** Most big European airlines have direct services to several Latin American cities from which connecting flights can be taken to more out-of-the-way destinations. Likewise, larger Latin American countries have airlines that serve a range of European cities often including Madrid, London and Frankfurt, as well as Miami, New York and, in some cases, Los Angeles.

● **Telecoms:** Following a big privatisation push throughout the continent, most countries' dilapidated telecoms systems have improved beyond recognition. Direct dialling is available in nearly all big cities and lines are usually good enough to send data.

● **Domestic and regional travel:** Given the size and geography of most of the region's countries, air travel is usually the only realistic way of reaching cities outside the capital. Most domestic airlines offer a fairly comprehensive network, although timetables to smaller cities can be infuriating.

● **Hotels:** The standard of Latin American hotels is improving fast, although many five-star hotels may still not compare favourably



Bogotá, Colombia: a revolver on sale in a local flea market. Bogotá, has a reputation for street crime

with equivalents in Asia or the US. Security can be a problem, and it is wise to take seriously warnings about leaving valuables in the safe-deposit box.

● **Money:** Latin America, for the moment free of hyperinflation, is not as entertaining for the visitor as it once was. Gone are the days when the price of a meal could change while you were eating it. However, the vestiges of hyperinflation

remain. Beware old notes, still valid, but for which one has to remove the final three zeros to determine the true value. In Uruguay, now aiming for single-digit inflation, cabs still work on a unit system, where the number on the meter is converted to a cash equivalent using a rate card. The dollar is king throughout the continent.

● **Crime:** Most big urban centres have their fair share of crime, with reports from Mexico City, in particular, indicating that recent recession has multiplied the city's dangers. Rio and São Paulo in Brazil, Bogotá in Colombia, Lima in Peru and even Santiago in Chile all have certain reputations for street crime. Buenos Aires, the capital of Argentina, is refreshingly safe given its huge size, although even here crime is said to be increasing.

● **Business Customs:** Stereotypes of laid-back Latins showing up hours late for appointments are just that, with business for the main being conducted fairly punctually.

It can be a sign of power to keep a frustrated visitor waiting endlessly in an airless anteroom, but this is the

exception rather than the norm. Before visiting a particular country, it is worth ascertaining its business dress code. Some countries, such as Chile, can be fairly strict, while elsewhere it may be considered normal to attend a business meeting tieless and jacketless.

● **Hotels:** Hotels are often the worst part of a visit to the NIS. Apart from the luxurious but exorbitantly priced hotels of Moscow and a few of the republican capitals, accommodation is likely to be primitive but fairly pricey, considering what is being provided.

There is nothing to do but grin and bear it, although business travellers considering a prolonged stay of, say, more than two or three weeks might consider arranging to rent an apartment through their local contacts.

It is also crucial to make bookings in advance, because hotel receptionists often cling to the customs of the Soviet regime and will adamantly refuse to check in a guest without a reservation even if most of the hotel's rooms are empty.

● **Money:** In some of the main cities in the region, including Kiev, Moscow and St Petersburg, it is possible to withdraw money from automated teller machines using cards belonging to the leading western networks. Even so, it is wise to bring a considerable stash of plain, unmarked US dollar bills, especially for travel to more obscure regions.

Take care to bring bills printed after 1991, because locals sometimes refuse to accept older bank-notes, fearing they may be counterfeit. Since the introduction of the new \$100 bill, with a bigger, off-centre portrait of Benjamin Franklin, many local traders are reluctant to take the older variety.

■ Russia: by Chrystia Freeland

Tremendous improvement

Business travellers should steel themselves for unreliable telephone lines and sometimes exorbitant charges at hotels

For many investors, travelling is one of the most gruesome aspects of investing in the newly independent states (NIS) which once made up the Soviet Union. Airports are usually labyrinthine, crowded and dirty; hotels are often uncomfortable and overpriced; and telephone networks are usually shaky at best.

But the distressed visitor should take comfort from the fact that, while getting around the NIS today is not for the faint-hearted, conditions have improved tremendously since the collapse of the USSR. Moreover, veteran travellers eventually discover the hidden advantages of the region's sometimes slightly shady business culture.

With enough persistence it is, for example, possible to get a ticket on almost any flight in the NIS, no matter how fully booked it is. After making private arrangements with the cabin crew or the ticket sellers, the determined traveller may find herself seated in the cockpit or having deprived a legitimate passenger of his place. But, if she can bear the twangs of her conscience and the physical discomfort - she can be almost certain of getting to her destination.

● **How to get there:** By force of habits learned in the Soviet era, business travellers or their travel agents may automatically fly to Moscow or to the capital of the republic they wish to visit, rather than looking for a direct flight to their provincial destination. This is a mistake, because many regional centres, ranging from Lviv and Dnipropetrovsk in Ukraine, to Yekaterinburg and Krasnoyarsk in Russia's eastern steppes, are now connected with western Europe or Asia by direct flights.

Avoiding the capital cities can spare travellers awkward and confusing journeys between international and domestic airports. This is especially true of Moscow, whose airports for domestic flights - especially the dreaded Domodedovo, starting point for most trips to Siberia - are very uncomfortable and difficult to navigate.

● **Regional and domestic travel:** Once in the NIS, visitors will face choices between trains and planes and various airlines as they consider how best to navigate their way around the region. For overnight trips, rail is often a pleasant choice - trains are less likely to be delayed than aircraft and it can give business travellers, who are often cut off from the real life of the countries they visit, a taste of the local culture.

Those who opt for the air may be tempted to fly on one of the new baby-flots, the

privatised airlines which have spun off from Aeroflot, the giant Soviet monopoly which once controlled the USSR's commercial airspace. The baby-flots, especially Transaero, which boasts a fleet of surprisingly smart-looking Boeings, were initially a favourite among regular business customers.

However, some frequent flyers report increasing problems with Transaero and its younger siblings, complaining that because these companies have such small fleets their flights are more often delayed than those of the sturdy dowager of the skies, Aeroflot.

● **Telecoms:** Business travellers should steel themselves for unreliable telephone lines and sometimes exorbitant charges at local hotels. Conditions vary widely - a cockroach-infested hovell in the middle of Siberia may offer direct connections to the west, but hotel room telephones, while it may be difficult even to reach other cities in the same region from a smart inn in a leading former Soviet city.

If your phone does work to make an international call, dial 8, wait for a tone, then dial 10 followed by the country code, city code and then the phone number. For calls within the former Soviet Union, call 8, wait for a tone, then dial the city code and local number.

Modems can sometimes be successfully connected in the most unlikely locations, so it is worth packing an adaptor for the five-pronged telephone jacks which are most commonly used in the region.

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■ Eastern Europe: by Anthony Robinson

Fierce competition

The central European airlines have been able to attract a rising share of the business class market

Gone are the days when places such as Omsk, Tomsk or Tirasov are obscure dots on another planet as far as most business travellers were concerned.

Travel to final destinations in the former Soviet Union can still be a tricky business on small privatised airlines flying repainted old Soviet aircraft with dodgy tyres and uncertain maintenance records. But travelling to central Europe is now virtually indistinguishable from flying to anywhere else in Europe, thanks to fierce competition between airlines on some of the fastest-growing routes in the world.

Competition is not only fierce between airlines but also between hubs. Amsterdam, London, Frankfurt, Vienna, Zurich and other airports which are the home base of powerful national airlines plying the east and central European routes, compete ferociously for point-to-point travel, and above all for lucrative transfer business onto intercontinental routes.

Vienna airport was quick to build on its traditional good connections with the region and Austrian Airlines fly daily not only to the main capital cities but also to provincial cities such as Kosice in eastern Slovakia, Timisoara in western Romania and Odessa in southern Ukraine.

British Airways is busy building Gatwick into its main hub for east and central Europe - with direct flights to six destinations, including Baku, the capital

of oil-rich Azerbaijan. At the same time, the airline has shifted many north American flights to Gatwick, offering Houston oil men, for example, convenient flights to the Caspian region, expected to be one of the biggest "new" oil provinces of the 21st century.

But if it is deeper into central Asia that you are heading, then Turkish Airlines might be your answer. At a recent conference in London, designed to persuade nervous UK-based businessmen that tie-ups with Turkish companies could be their key to practically virgin markets of 73m people, Mr Cem Kozlu, a former airline man who is now regional director for Coca-Cola, emphasised Istanbul's growing role as regional hub for onward flights to cities throughout the Caucasus and central Asia.

Meanwhile, Warsaw, the home base of Lot, the soon-



Polish airline Lot has ordered two new Boeing 737 aircraft with the latest audiovisual equipment

to-be-privatised Polish airline which recently announced a code-sharing arrangement with American Airways on its Warsaw-Miami and Warsaw-Los Angeles routes, also has plans to become the leading central European hub.

The newly-built terminal at Warsaw's Okęcie airport was planned to reach its full 5m passenger capacity by the year 2000. Soaring traffic growth means it is now expected to reach saturation by 1997. A big extension will shortly get under way to cope with 21st century traffic.

Lot provides a classic example of the speed with which former Soviet bloc airlines, with their legendary grumpiness and expensive-to-run, hard-to-maintain Tupolevs and Ilyushins, realised that survival depended on competing with western airlines on quality as well as price. That meant buying or leasing Boeings, Airbuses and other western aircraft, training cabin staff to smile and serve good food, and either revamping or building new airports in the biggest cities.

For CSA, the Czech and Slovak airline, and Malev, the Hungarian airline, survival was also thought to demand a strategic tie-up with a western partner, Air France and Alitalia respectively, with disappointing results.

CSA has dropped its French link while Malev has profited from a rapid growth in eastern markets, especially the highly profitable Budapest-Moscow route. This is popular with wealthy Russians returning to the thermal baths and five-star hotels and going on shopping sprees.

Meanwhile, passengers on newly-privatised airlines in outlying parts of the former

Soviet Union are likely to find themselves on Russian-built aircraft bought second-hand from the central European airlines.

Passengers on privatised San Airways domestic flights from Almaty, the Kazakh capital, to the brand new but only partially opened Karaganda airport, for example, were puzzled recently to find that all the signs inside the freshly-painted aircraft were in Polish.

On all airlines, wooing the premium business class traveller is the key to enhanced profitability. With foreign investment and trade now rising sharply, airlines are hard-pressed to keep up with demand. Over-booking is now frequent, especially at the end and beginning of each week, reflecting the large volume of regular "commuter" travel on these short-haul routes.

Significantly, the central European airlines have been able to attract a rising share of the business class market, popular with the region's sometimes very rich "new rich" and globe-trotting business people.

London and Frankfurt, for example, have become the most profitable of all routes for Lot flying out of Warsaw despite competition with two of the toughest airlines in Europe, British Airways and Lufthansa.

Lot offers a free night at Warsaw's Marriott hotel as an inducement for business travellers to fly Lot in both directions. It has also ordered two new Boeing 737 aircraft with the latest audiovisual equipment specifically for business travellers on the London and Frankfurt routes.

Upgrading of airline services has marched pari passu with an enormous rise in the quality, and cost, of

hotel, restaurant and other facilities, including telecommunications. Even Tirasov now has a clutch of first class hotels.

Direct dialling is now the norm in main city hotels throughout most of central Europe. Fleets of expensive hotel taxis ply for business outside the palatial entrances, awaiting the beckoning call or whistle of the top-batted doorman. The drawback is that hotel taxis often cost three or four times the normal taxi service, but casual cabs are often hard to find and language problems often deter phoning for a cheaper service.

A recent Lufthansa survey of business travellers in central and eastern Europe found that inability to understand Slav, Baltic, Hungarian and other local languages, and lack of knowledge of local customs, were the main difficulties now reported by business travellers to the region. This remains particularly so in Russia and much of the former Soviet Union where Cyrillic signs predominate.

Lufthansa's findings are an extraordinary testament to the speed with which central Europe has been transformed from the exotic and distant to the commonplace and close to hand.

If advice is called for it would be: Don't be lulled into a false sense of familiarity. The scars left by decades of communist rule are deep. Take time to learn the rudiments of the language and an inkling of the usually long and complex history of the people.

If you can, stay a little longer than strictly necessary; get out to the countryside and small towns; try and make friends. In short, do what comes naturally. Since 1989 we are all back on the same planet.

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■ Africa: by Michael Holman

Remarkably safe and courteous

Something is bound to go wrong... Don't worry unduly. Be patient, keep your sense of humour, for eventually things will work out

The Sultan's band no longer plays outside the English Club in Zanzibar. It is 25 years or more since you could take the river steamer down the Nile to Nimule. It's ages since the S.S. Robert Corrydon plied Lake Albert, from Butiaba to Pakwach. And the last flying boat from London touched down on Lake Malawi many years before I started travelling to, and around, Africa.

You can, however, fly from Heathrow to Johannesburg in about 10 hours, or from Paris to Nairobi in eight hours, and I suppose that's progress.

For all its trials and tribulations, Africa has opened up to the world dramatically, as political and economic reforms have taken hold and modern technology, from jumbo jets to mobile phones, shrink distances and make the lives of business travellers easier.

Visas are easier to obtain, tiresome regulations which required travellers to declare their foreign currency on arrival at airports have been dropped, credit cards are widely accepted, and more likely than not, your hotel will have CNN.

Getting there: Because I always fly from London, I always travel in British Airways, partly because I am booked on air miles, but also because I think that their service is the best on the routes to Africa.

However, the FT buys my tickets, and open return tickets are not cheap. Otherwise,

I would be doing bucket shop deals with Kenya Airways, KLM, and Alitalia, and hoping that when Virgin starts flying between London and Johannesburg this month it will force BA and SAA to bring their prices down on what is one of their most lucrative - and over-charged - routes.

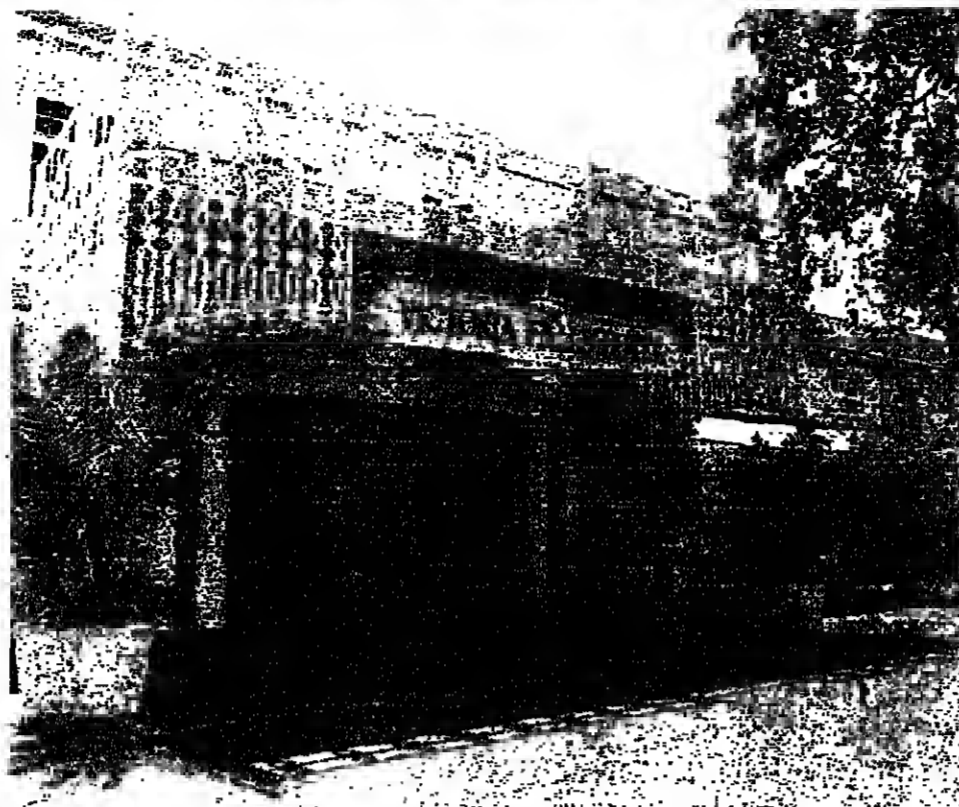
● Domestic and regional travel: For all the headlines about crime in Johannesburg and armed robbers in Lagos - admittedly serious problems in both cities - I still find Africa a remarkably safe, friendly and courteous continent. (Yes, even Nigeria!)

In many years of travelling around Africa, I am hard-pressed to recall anything having gone seriously wrong. I have never been mugged. I have not lost a suitcase en route. Nothing has been stolen from my hotel room. I have always managed to get a seat on a plane - provided I wanted it badly enough. I haven't been in a car crash, and I have not suffered from malaria.

That is not to say that I am not careful. For Africa in general is getting more hazardous as economic decline takes its toll, whether in the form of airports where navigational aids do not work, cars with faulty brakes, or jobless youths taking to crime, or aircraft that are poorly maintained.

So I take a taxi for the six-block journey from the Carlton hotel in central Johannesburg to the FT office. I don't walk alone after dark on the beach across the road from Dar es Salaam's Oyster Bay hotel: I leave my wallet in my room when venturing out from Nairobi's Intercontinental; and only in Asmara, capital of Eritrea, do I walk the streets at night without a quail or a care for my safety.

I try not to travel on



The Victoria Falls Hotel, Zimbabwe: Africa has opened up to the world dramatically

Africa's roads after dark, for too many people I know have ploughed into the back of a truck or car parked on the side of the road without a warning reflector.

In most countries I stick to bottled water; in nearly all countries I take my anti-malaria tablets.

I also travel light: my crumpled cream linen suit (not really practical, but I cannot resist it); a pair of slacks and a baggy swimming costume that doubles as a pair of shorts; a short-wave radio; a bottle of bath oil; a penknife for peeling mangoes and tucking in to avocados; sunglasses; and business cards.

Oh yes, and a floppy hat and my Tandy computer, all of which fits into my carry-on case with wheels.

Air travel between countries in Africa is expensive, and there is little that the traveller can do about it, for the routes are controlled by a cartel formed by the national airlines of the two countries concerned. Thus an open economy return ticket between Nairobi and Johannesburg costs about \$1,100.

Car hire is available in most countries, but I prefer to strike a deal with a local taxi driver. They could not

be more different from their European counterparts, for they are singularly well informed, able to assess the merits of every cabinet minister, their chances of re-election, and the extent to which they have their bands in the state till.

Communications, I am sorry to say, are a lot better than they were, and not nearly as good as they should be. I preferred it when it was all but impossible to get an international call.

Now I feel obliged to try, and will pay a fortune when I succeed. In fact, calling abroad from most countries in Africa is usually straightforward - the problem comes when you try to make a phone call from one part of Africa to another.

Hotels: The same ambivalent view of progress applies to hotels - there are many more that boast five-star status, but far fewer that are pleasant to stay in. Those wonderful establishments with red-pollished verandahs, rooms with high ceilings, residents' lounges with chintz-covered chairs and snooker tables, are becoming a thing of the past. But one tip: wherever you may be planning to stay (unless it's the Mount Nelson in Cape Town), I suggest you take

your own soap. Throughout Africa, local soap seems to be made of tallow obtained from the boiled-down fundaments of goats.

Reading: The Rough Guide series on Africa are excellent. Business travellers should take the Economist Intelligence Unit report on the country of their destination (and the latest FT survey), while the World Bank country reports are now readily available.

Money: While credit cards are widely accepted, they should be supplemented by travellers cheques, and a stash of US dollars provides a universal currency.

One final piece of advice: Something is bound to go wrong at some stage in your travels; the aircraft will be over-booked; the hotel will not have your reservation; a critical appointment is not kept. Don't worry unduly. Be patient, keep your sense of humour, for eventually things will work out.

And if when you get back, you are worried that you have, despite all precautions, picked up something mysterious and nasty, make an appointment at the London Hospital for Tropical Diseases, probably the best institution of its kind in the world (0171-467 4411).

■ China: by Sophie Roell

How to minimise the risk of mishap

In one leading hotel in Shanghai hotel staff actually had a competition to see who could steal the most from foreign guests

While the Chinese government may pride itself on its ability to maintain public order, one worrying development in the past couple of years has been a rise in the number of attacks on visiting businessmen.

In July, for example, an employee of US company Bechtel was murdered in his hotel room on a visit to the coastal province of Fujian. The motive appears to have been robbery.

In the north-east - one of China's most economically deprived regions - well-dressed and visibly well-off foreign visitors are an obvious target.

A growth in nationalist sentiment in China has given an extra edge to such attacks. One foreigner living in Beijing who has travelled extensively within China points out: "This is no longer a benign environment."

While the risks of travelling in China should not be exaggerated, to minimise the chances of any mishap occurring, it is worth being aware of potential dangers: ● In taxis and cars: The best way to avoid trouble from taxi-drivers is to take the cars provided by hotels rather than flagging down taxis in the street.

While it may be an extreme example, local officials in the north-eastern city of Harbin are apparently so concerned about incidents involving taxi-drivers that they now encourage visitors to travel from the airport in pairs.

The most widespread danger for road users is, however, from traffic accidents. Medical evacuation compa-

nies in Beijing say that road accidents account for the majority of foreign deaths and serious injuries in China.

Selecting the most solid-looking car or taxi available is a sensible precaution - avoid the cheap bread-vans in Beijing.

Telling a taxi driver who seems bent on driving at break-neck speed to slow down is not a breach of etiquette.

● Airlines: The commercialisation of the Chinese airlines has led to big improvements in both the quality of the fleet and service on board. By and large it is now possible to fly on a Boeing or other western-built aircraft

you in the cabin - so you can avoid putting bags in the hold.

Generally, Chinese airlines are not very sympathetic about lost luggage.

● Hotels: In the main cities such as Beijing, Shanghai and Guangzhou, there are now scores of four- and five-star hotels to choose from. It may be worth hooking a room on the executive floor, where security tends to be tighter.

The most common problem is theft. Indeed, in one leading hotel in Shanghai hotel staff actually had a competition to see who could steal the most from foreign guests. Valuables should really be kept in the hotel vaults.

Unfortunately it is hotel rooms that have been the scene of many of the assaults against businessmen. Guests should be careful whom they open their hotel room door to.

Also, although leading hotels now check that telephone callers actually know a guest's name before connecting them with rooms, there may be female callers offering massages or related services.

Be on mind that Aids is on the rise in China, as it is in the rest of Asia. ● Health: Malaria is generally confined to the southern part of China, near the border with Burma and Vietnam - although in the summer months, the Yangtze River basin is also affected. Other diseases to look out for in China are Hepatitis A and B and tuberculosis. At restaurants, wiping bowls and chop sticks before eating from them may reduce risk - and it is advisable to avoid sitting in a confined space with anyone who is coughing violently.

Emergency medical evacuation insurance is a good idea. In Beijing two companies - Asia Emergency Assistance (AEA) and International SOS Assistance - offer evacuation services.

The airlines tend to be relaxed about how much luggage you take with you

to most important destinations.

However, old Russian aircraft are still in use on some routes, particularly at a local level. Their safety record has not been good - and they should, if possible, be avoided.

Chinese booking agents are aware of how visitors feel about this, and when making reservations can inform travellers what types of aircraft are available at various times.

As a rule it is best to stick to Air China and the leading regional airlines such as China Eastern and China Southern - although even smaller airlines have been under pressure from the aviation authorities to step up maintenance.

On many but not all flights it is possible to travel business or first class. Chinese airlines tend to be fairly relaxed about how much luggage you take with

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BRUSSELS	BEF 6850
BUCHAREST	USD 22*
CHANGAI	DEM 200*
CHANGAI	IT 1650
CRACOV	DEM 120*
CRETE	USD 170*
COBLENZ	IP 155*
EDINBURGH	UKL 105
FRANKFURT	DEM 205*
GENOVA	STR 300
THE HAGUE	DFL 375
HAMBURG	DEM 225*
HANNOVER	DEM 275*
HELSINKI	FIN 950
ISTANBUL	USD 165
LEIPZIG	DEM 135
LONDON	ESL 33,000
LONDON	UKL 115*
LUXEMBOURG	DEM 166
LUXEMBOURG	LYF 6,100
Lyon	FF 540*
MADRID	ESP 34,000*
MADRID	PTS 26,800
MONTREUX	CHF 330
MOSCOW	USD 510
MUNICH	DEM 235*
NICOSIA	CYP 65*
PARIS	FF 1700*
PARIS	CHF 4,240*
ROME	LIT 480,000
ST ANDREWS	UKL 320*
STUTTGART	DEM 330
VIENNA	ATS 2,600
WARSAW	PLN 167*
ZAGREB	USD 170
ZURICH	CHF 265

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10 BUSINESS TRAVEL: Agencies and booking

■ Cyberspace bookings: by Amon Cohen

The focus switches to intranets

Intranets allow a corporation to install its own specific arrangements on the Internet while denying access outside the authorised group

If you have not started booking your travel via the Internet, you may be too late. Although it is little more than a year since Holiday Inn took the first electronic reservation in cyberspace, the Net is now regarded as a distinctly passé medium.

Instead, travel agencies and their corporate clients are turning their attentions to so-called "intranets". These are private, customised versions of the Internet made possible by corporations moving their computing platforms from 8-bit technology to Web servers.

Intranets are proving an attractive option as the travel industry starts to realise that the raw Internet is too clumsy to deal with the specific needs of individual customers. Furthermore,

although it works well as a source for information, such as flight schedules and hotel directories, it is not yet proven as a reservations medium.

For one thing, the Internet can be painfully slow to make bookings. For another, it is by no means certain that the Internet provides the best deals. The industry journal *Travel Trade Gazette* recently tried to book a trip for two from London to New York and Nashville on a Net page. The price it was quoted was £1,414 for the flights plus £478 for the hotels; total £1,892. However, after 3½ fruitless hours of attempting to secure the booking, TTG gave up.

TTG then gave the same details over the telephone to Thomas Cook, which came back in less than an hour with a quote of £822 for the air fares plus £866 for the hotels; total £1,488.

In another test, the magazine *Business Traveller* went to British Midland's CyberSeat reservations page and was quoted prices of £144 and £89 as the airline's cheapest fares from London to Frankfurt and Paris respectively. A telephone call to the same airline produced quotes of £106 and £89.

Mr Martin Gregg, Microsoft UK travel manager, says: "It fits together with the travel management side of Amex, so that if a com-

pany has net fares with an airline or preferred rates with a hotel, the travel booker will be steered towards making those bookings. "It also fits in with the client's management controls, so that a booking will immediately be updated on its accounting and budget systems."

In the US, Hewlett-Packard has just launched a travel information page for its employees. This will be followed at the beginning of next year by a self-booking and expense reporting system. According to Mr Earl Foster, worldwide travel operations manager, the system will prevent travellers from booking flights with the wrong airline or in a class to which they are not entitled.

The intranet booking system will also help cut time wasted on filling in expense reports. Instead, an electronic form will be pre-populated by the booking information. All the traveller will have to do is remove any personal expenses and add those which are incurred out of pocket.

Another key benefit of intranets is their convenience for travellers and for their employers, an Associa-

tion of Corporate Travel Executives conference learned in Madrid last month. Mr Joe Monaghan, Amex vice-president and relationship manager, told the conference that an intranet could save travellers the trouble of trawling the Net for the different types of information they require, such as timetables, weather reports, currency rates, government travel advice and corporate travel policy. For corporations, data can be updated without having to distribute new diskettes to every employee.

"Hotel programmes are something my clients are often excited about. Now they don't have to print 10,000 new copies but can make just one change electronically," Mr Monaghan said.

For the terminally suspicious, there is also good news about intranets. They are secure, which is just as well because an unscrupulous company could learn a great deal if it knew where its rival's executives were travelling.

Mr Bill Cavendish, head of IT for global travel agency partnership Business Travel International, told the ACTE conference that pharmaceu-

tical companies have set up intranets to share highly confidential medical test results. If it is good enough for them, it should be good enough for the rest of us.



An intranet could save travellers the trouble of trawling the Net for different types of travel information

■ Travel agents: by Amon Cohen

Still a vital role to play

With fundamental changes convulsing the travel business, corporate clients need to reconsider their relationship with agents

A death knell has been sounding for business travel agents over the past couple of years. Since travellers can book flights and hotels on their PCs, why, it is argued, should they go to the expense of employing an agent?

Yet, superficially compelling as this logic may appear, the sound of the bells is now receding. Having digested the significance of electronic reservations, few travel industry pundits still believe the agent is doomed.

Instead, the prevalent belief is that agents must fundamentally alter the nature of their business but that they still have a vital role to play in helping corporations manage their travel requirements and drive down costs.

Among those who foresee a bright but changed future is Annika Ortmark, travel manager for management consultancy The Swedish Management Group. Her belief is that agents should no longer be viewed as order-takers and ticket-issuers but as expert travel consultants who can advise on trips that travellers would find difficult to arrange themselves.

"Agents are no longer for booking simple return trips. This can be done by the traveller," she says. "However, if you are flying with two or more carriers, or outside Europe, or making a complicated routing, of course they will still do the job better and faster than the traveller."

Her view is supported by Mr Richard Cornwell, chairman of the Institute of Travel Management and senior travel and functions manager at Price Waterhouse in the UK.

"The travel agent undoubtedly has a role to play when it comes to complex itineraries," he says. "Technology will never supersede a person who has a lifetime of fares structures at their fingertips. It is these people who will survive in the slimmed-down agencies of the future."

Besides, as Mr David Radcliffe, managing director of Hogg Robinson Business Travel International, points out, business travel agents do a great deal besides constructing itineraries for their clients. "There is a lot of nervousness about deserting agents, on two fronts," he says. "The first is, does it save money? Is it cheaper to telephone a travel agent or to have highly-paid executives booking their own travel and hoping they have found the most cost-effective fare?"

"The second issue," says Mr Radcliffe, "is all the additional services. If you book your own travel, what happens if your flight is cancelled, your hotel is full or you get mugged?"

In this new environment, the more sophisticated

travel agencies have set about re-defining their roles by customising self-booking systems rather than competing with them. They realise that they can leave routine bookings and ticketing to the technology, allowing them to cut costs and instead give personal attention to high-value corporate travel. "Ninety-nine per cent of the work we do today is transactions and implementation," says Mr Travis Tanner, the Minneapolis-based co-president and chief executive officer of Carlson Wagonlit Travel.

"The future is travel and entertainment management and business solutions. The things we get paid to do today we will get paid for in the future; what we get paid for is what we currently do for free."

With these fundamental changes convulsing the travel business, corporate clients need to reconsider their relationship with agents. Until now, agents have been remunerated for booking an air ticket by the airline. Typically, a part of this commission has been passed on to the client in the form of a rebate. Such rebates are now regarded as redundant.

Firstly, airlines want to axe commissions as part of their drive to reduce distribution costs, which typically account for 20 per cent of their revenue.

Secondly, clients have realised that it is illogical to pay their agent more money for selling them a more expensive ticket. And electronic booking also means that agents are not going to be handling as many tickets as before, which means they will receive less commission anyway. No wonder Mr Earl Foster, Hewlett-Packard worldwide travel operations manager, predicts that "commissions will go away by the end of the century".

The upshot is that agents and their clients are also doing commissions and turning instead towards management fees, where the agent is rewarded for consultancy work, for specific services such as passport and visa procurement, and for helping to reduce travel budgets.

Both Annika Ortmark and Richard Cornwell say this is the way ahead and travel agents agree with them. According to Mr Tanner, Carlson Wagonlit has now moved all of its US clients other than government accounts, over to management fees, while the figure in the UK is 40 per cent.

But the human touch has not disappeared completely. Mr Radcliffe says that, from distancing themselves more and more clients are getting closer to their agents by setting up agency implants on their own premises. "Despite all the technology in the world, it never ceases to surprise me how much value our clients place on personal contact," he says. "We could service them from half way across the world, but a lot of people prefer to have someone on site for face-to-face advice."

Perhaps the day that all business travellers are graduates of the computer age will spell the end of the travel agent. For now, reports of their demise seem exaggerated.

Our good night
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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table showing exchange rates for various currencies against the pound, including columns for currency, closing price, change, and forward rates.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing exchange rates for various currencies against the dollar, including columns for currency, closing price, change, and forward rates.

WORLD INTEREST RATES

Table of world interest rates for various currencies, showing overnight, one-month, and three-month rates.

CROSS RATES AND DERIVATIVES

Table of cross rates and derivatives for various currencies, including exchange rates and derivative prices.

FT GOLD MINES INDEX

Table of the FT Gold Mines Index, showing the index value and its change.

EURO CURRENCY INTEREST RATES

Table of Euro currency interest rates for various currencies, showing overnight, one-month, and three-month rates.

UK INTEREST RATES

Table of UK interest rates for various terms, including overnight, one-month, and three-month rates.

LONDON MONEY RATES

Table of London money rates for various currencies, including overnight, one-month, and three-month rates.

FT GUIDE TO WORLD CURRENCIES

Text providing a guide to world currencies, including information on exchange rates and market trends.

BANK RETURN

Table showing bank returns for various banks, including assets, liabilities, and capital.

BANK OF ENGLAND TREASURY BILL TENDER

Table showing details of the Bank of England Treasury Bill tender, including the amount and interest rate.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

UK GILT PRICES

Table showing UK gilt prices for various maturities, including 10-year and 30-year gilts.

Other Fixed Interest

Table showing other fixed interest rates for various instruments.

STOCK INDICES

Table showing stock indices for various markets, including the FTSE 100 and Nikkei 225.

Advertisement for AMGOLD, featuring the company logo, abridged interim results and dividend announcement, and a list of directors.

Advertisement for BUSINESS FOR SALE, featuring contact information for Fred Lynton and details of the business for sale.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing various alcoholic beverage companies and their share prices.

BANKS, MERCHANT

Table listing bank and merchant companies and their share prices.

BANKS, RETAIL

Table listing retail bank companies and their share prices.

BREWERIES, PUBS & REST

Table listing brewery, pub, and restaurant companies and their share prices.

BUILDING & CONSTRUCTION

Table listing building and construction companies and their share prices.

CHEMICALS

Table listing chemical companies and their share prices.

CHEMICALS - Cont.

Continuation of chemical companies and share prices.

DISTRIBUTORS

Table listing distributor companies and their share prices.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies and their share prices.

ELECTRICITY

Table listing electricity companies and their share prices.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies and their share prices.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of electronic and electrical equipment companies.

ENGINEERING

Table listing engineering companies and their share prices.

ENGINEERING - Cont.

Continuation of engineering companies.

ENGINEERING, VEHICLES

Table listing engineering and vehicle companies and their share prices.

EXTRACTIVE INDUSTRIES

Table listing extractive industry companies and their share prices.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of extractive industry companies.

FOOD PRODUCERS

Table listing food producer companies and their share prices.

FOOD PRODUCERS - Cont.

Continuation of food producer companies.

FOOD PRODUCERS - Cont.

Continuation of food producer companies.

GAS DISTRIBUTION

Table listing gas distribution companies and their share prices.

HEALTH CARE

Table listing health care companies and their share prices.

HOUSEHOLD GOODS - Cont.

Continuation of household goods companies.

INSURANCE

Table listing insurance companies and their share prices.

INVESTMENT TRUSTS

Table listing investment trusts and their share prices.

INVESTMENT TRUSTS

Continuation of investment trusts.

INVESTMENT TRUSTS

Continuation of investment trusts.

INVESTMENT TRUSTS

Continuation of investment trusts.

INVESTMENT TRUSTS - Cont.

Continuation of investment trusts.

INVESTMENT TRUSTS

Continuation of investment trusts.

INVESTMENT TRUSTS

Continuation of investment trusts.

INVESTMENT TRUSTS

Continuation of investment trusts.

INVESTMENT TRUSTS

Continuation of investment trusts.

INVESTMENT TRUSTS

Continuation of investment trusts.

Advertisement for Rockwell, featuring the text 'Rockwell's advanced technology is helping railroads improve performance and promote safety.' and the Rockwell logo.

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TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts with columns for Name, Price, Dividend, and other financial metrics.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, Dividend, and other financial metrics.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, Dividend, and other financial metrics.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, Dividend, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued) with columns for Name, Price, Dividend, and other financial metrics.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, Dividend, and other financial metrics.

MEDIA

Table listing media companies with columns for Name, Price, Dividend, and other financial metrics.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, Dividend, and other financial metrics.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, Dividend, and other financial metrics.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, Dividend, and other financial metrics.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, Dividend, and other financial metrics.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY

Table listing property companies with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont.

Table listing property companies (continued) with columns for Name, Price, Dividend, and other financial metrics.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont.

Table listing property companies (continued) with columns for Name, Price, Dividend, and other financial metrics.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, Dividend, and other financial metrics.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont.

Table listing property companies (continued) with columns for Name, Price, Dividend, and other financial metrics.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, Dividend, and other financial metrics.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, Dividend, and other financial metrics.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, Dividend, and other financial metrics.

TOBACCO

Table listing tobacco companies with columns for Name, Price, Dividend, and other financial metrics.

TRANSPORT

Table listing transport companies with columns for Name, Price, Dividend, and other financial metrics.

WATER

Table listing water companies with columns for Name, Price, Dividend, and other financial metrics.

AIM - Cont.

Table listing AIM companies with columns for Name, Price, Dividend, and other financial metrics.

AMERICANS

Table listing American companies with columns for Name, Price, Dividend, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for Name, Price, Dividend, and other financial metrics.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, Dividend, and other financial metrics.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Easys, part of Financial Times Information. Company classifications are based on those used for the FTSE Actuaries Share Indices. Dividend dates are shown. Prices and net dividends are in pence unless otherwise indicated. Where shares are denominated in currencies other than sterling, the price is indicated after the conversion rate. Dividend covers are calculated on a "net" basis. Market Capitalizations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.



FT Share Service - The following changes have been made to the FT Share Information Service: Additions: Schroder Emerg Country Ord & Writ (Inv Trst), Egypt Inv Co (Inv Trst) and Bulgaria SPA (Inv Trst). Deletions: Hydro Quebec 18pc (Inv Trst), Royal Indus, Zampian (Inv Trst), For A Col High Inc, Herald Inv C (Inv Trst), Dy Davies, Power Corp (Inv Trst).

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances... FT Cityline Unit Trust Prices... Calls are charged at 39p/minute... International access available by subscription only.

LUXEMBOURG (REGULATED)

Table listing various Luxembourg funds including categories like 'Fidelity Funds - Contd.', 'Mercury Asset Management SA - Contd.', 'Ariston International Underfund - Contd.', and 'Global Investment Funds - Contd.'.

Table listing various Luxembourg funds including categories like 'Ariston International Underfund - Contd.', 'Global Investment Funds - Contd.', 'Mercury Asset Management SA - Contd.', and 'Fidelity Funds - Contd.'.

Table listing various Luxembourg funds including categories like 'Mercury Asset Management SA - Contd.', 'Fidelity Funds - Contd.', 'Global Investment Funds - Contd.', and 'Ariston International Underfund - Contd.'.

Table listing various Luxembourg funds including categories like 'Fidelity Funds - Contd.', 'Global Investment Funds - Contd.', 'Mercury Asset Management SA - Contd.', and 'Ariston International Underfund - Contd.'.

Table listing various Luxembourg funds including categories like 'Global Investment Funds - Contd.', 'Mercury Asset Management SA - Contd.', 'Fidelity Funds - Contd.', and 'Ariston International Underfund - Contd.'.

OFFSHORE INSURANCES

Table listing various offshore insurance companies and their details.

LUXEMBOURG (REGULATED)

Table listing various Luxembourg funds under the 'LUXEMBOURG (REGULATED)' section.

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

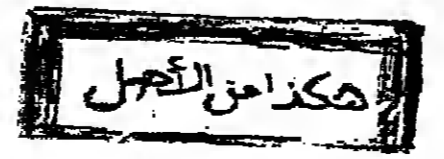
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Main table listing various fund categories including Global, UK, and Offshore funds, with columns for fund name, unit price, and other details.

Advertisement for Macmillan Appeal: 'SEND US YOUR OWN PAPERCLIP' and 'Cancer Relief Macmillan Fund exists to support people with cancer and their families.'

OTHER OFFSHORE FUNDS

Table listing various offshore funds with columns for fund name, unit price, and other details.



Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

Table of world stock markets including Europe, Asia, and other regions with columns for stock names, prices, and changes.

Advertisement for Peregrine featuring a bird and the text 'Speak to Peregrine, the leader in Asian equities, derivatives, country funds, fixed income securities and GDR's.' Includes contact information for London, Asia, and the USA.

Table of stock market data for Europe, including various European indices and individual stock prices.

Table of stock market data for Asia, including various Asian indices and individual stock prices.

Table of stock market data for other regions, including Africa, Latin America, and Oceania.

Table of stock market data for Australia and New Zealand, including various indices and individual stock prices.

Table of US indices including Dow Jones, S&P 500, and other major market indicators.

Table of US indices and market data, including various sector indices and performance metrics.

Table of US indices and market data, including various sector indices and performance metrics.

Table of US indices and market data, including various sector indices and performance metrics.

Table of US futures and options data, including various contracts and their prices.

Small print and legal disclaimers at the bottom of the page.

NEW YORK STOCK EXCHANGE PRICES

4 per class October 4

Main table of stock prices with columns for stock name, price, change, and volume. Includes sub-sections for various market indices and sectors.

Advertisement for Hewlett-Packard featuring the slogan 'Perfect synergy' and 'If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.



مركزنا للتداول

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for NYSE, AMEX, and various market indices.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for NASDAQ, AMEX, and various market indices.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for Switzerland featuring the text 'Have your FT hand delivered in Switzerland' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

Continuation of stock price tables from the previous page, including various market indices and individual stock listings.

FT GUIDE TO THE WEEK

MONDAY 7

Kuwaitis go to polls

Kuwait holds its second parliamentary election since the 1991 Gulf war. The campaign for the 50 contested seats has unsettled the country. Only 107,000 Kuwaiti men out of a population of 700,000 are eligible to vote. Women protested at a rally in September at their lack of political rights.

Christopher visits Africa

Warren Christopher, the US secretary of state, visits sub-Saharan Africa for the first time although his plans depend on the Middle East. He will look at recruiting, training and funding a 10,000-strong African force to intervene in the continent's crisis spots. His tour covers Mali, Ethiopia, Tanzania, Angola and South Africa.

Americans check defence

Defence ministers from North and South America meet in San Carlos de Bariloche, Argentina, for the second annual gathering at which Caribbean and Latin American defence issues will be discussed. US defence secretary William Perry will attend. Among issues expected to dominate the gathering are the role of the armed forces in the fight against the drugs trade and money laundering (to Oct 9).

China endorses hard work

The Central Committee of China's Communist party meets in plenary session, expected to last until mid-week. The meeting will endorse a drive to improve Chinese society by emphasising plain living and hard work. The "build spiritual civilisation" campaign has been crafted by President Jiang Zemin who is bidding to become China's top leader once Deng Xiaoping passes from the scene.

Beijing meeting paves way

Chinese and UK securities market regulators meet in Beijing to sign a memorandum of understanding. It is expected the agreement will pave the way for the first listing of a Chinese company on the London Stock Exchange, probably by early next year.

Lebed visits Nato

General Alexander Lebed, secretary of Russia's security council, will visit Nato headquarters in Brussels for a "getting-to-know-you" session. After Mr Lebed's aggressive statements on Nato, the alliance is keen to stress its desire to work more closely with Russia. Mr Lebed meets the Western European Union on Tuesday.

Denmark on OSCE's role

In preparation for Denmark's spell as chairman of the Organisation for



Naomi who? John Galiano, tipped to take the top job at Christian Dior, will be the one grabbing the attention at this week's Paris fashion show

Security and Co-operation in Europe from January 1997, a high-level seminar takes place at the Louisiana Museum of Modern Art north of Copenhagen. Andrei Kosyrev, former Russian foreign minister, Kari Lamers, foreign affairs spokesman for Germany's CDU/CSU parliamentary group, ambassador Sam Brown, head of the US delegation to OSCE, and Denmark's minister for foreign affairs, Niels Helveg Petersen, will discuss the role of OSCE in European security.

FT Survey

Business Travel

Public holidays

Australia (Canberra, NSW and South Australia), Barbados, Lesotho.

TUESDAY 8

Tories go to Bournemouth

The Conservatives meet for their annual conference in Bournemouth. The focus will be on Kenneth Clarke, the chancellor, after his recent comments that failure of the UK to join the European monetary union would be "pathetic". This year's conference will be marked by question and answer sessions with John Major, the prime minister, Stephen Dorrell, the health secretary, and John Gummer, the environment secretary.

Meeting on information

European Union industry ministers meet in Luxembourg to discuss the "information society" - the EU's term for the development of information highways and convergence of phone

and computer communications.

ILO to revise ship rules

Shipowners, seafarers and government representatives from 50 countries meet at the International Labour Organisation in Geneva to revise international standards on safety and working conditions in shipping (to Oct 22).

Paris in a whirl

International designers will be unveiling their spring couture collections (to Oct 16). But the hottest news may well be off the catwalk if, as expected, Bernard Arnault, chairman of the LVMH luxury group, announces a new chief designer at Christian Dior. The fashion world's favourite contender is John Galiano, the British designer now at the helm of Givenchy, another LVMH subsidiary.

FT Surveys

International Equities Business Locations in Europe.

Public holidays

Cuba, Peru, Turks/Caicos Islands.

WEDNESDAY 9

Gore-Kemp in TV debate

The US vice-presidential candidates hold their only televised debate of the

campaign in St Petersburg, Florida, sandwiched between yesterday's Clinton-Dole encounter in Connecticut and next week's battle in California. Al Gore, the incumbent, and Jack Kemp, the Republican challenger, both have their eyes on the election in 2000, as well as on next month's.

Dunblane honours its dead

A memorial service is being held in Dunblane cathedral, Scotland, to commemorate the massacre in the town's primary school last March when 18 pupils and their teacher were shot dead. Lord Cullen, the judge who conducted the inquiry into the shooting, will present his report in the next few weeks and say whether he believes the possession of handguns should be banned, as parents of the victims have demanded.

Saferoom

Christie's holds its fourth annual auction of German and Austrian art in London. These sales have often brought record prices for artists from the two countries. Highlights are Caspar David Friedrich's painting of his wife climbing the stairs, estimated at up to £450,000 (\$702,000) and a flower painting by Nolde estimated at up to £350,000 (\$546,000). The highest price, about £800,000 (\$936,000), is anticipated for 19th-century artist Arnold Böcklin's symbolist painting of a ruined chapel.

Public holidays

Azerbaijan, Ecuador, Uganda, Western Samoa.

THURSDAY 10

UN to discuss investment

The UN Conference on Trade and Development is hosting a global investment forum in Geneva on the impact of foreign direct investment on trade and development and the role of multilateral investment accords. The forum, chaired by Alex Erwin, South Africa's trade and industry minister, is deliberately timed ahead of the World Trade Organisation's ministerial meeting in Singapore in December.

Judge checks competency

An Indonesian judge presiding over Megawati Sukarnoputri's suit will decide whether his court is competent to try the case. Ms Megawati claims the government is supporting Mr Suryadi, the person who ousted her as leader of the opposition Democratic party. Her suit names the home affairs minister, the chief of the armed forces and the national police chief, among others.

Greece backs government

Greece's parliament gives the new socialist government a vote of confidence. The governing Pan-Hellenic Socialist Movement won a four-year term in last month's general election. Prime minister Costas Simitis has pledged economic reforms aimed at ensuring Greece's eventual European participation in the single European currency. He is also committed to improving relations with Greece's Balkan neighbours and Turkey.

FT Surveys

FT Exporter, Taiwan.

Public holidays

Australia (Tasmania), Cuba, Japan, Kenya, Taiwan.

FRIDAY 11

Nobel peace prize

The annual Nobel prize week ends today with the announcement of the winner of the peace prize. The prize for medicine was announced on Monday, economics was on Tuesday with chemistry and physics on Wednesday. Favourites for the peace prize are US president Bill Clinton and his envoy to Bosnia, Richard Holbrooke, for their role in the Dayton peace accord. Others include Leyla Zana, the jailed Kurdish parliamentarian, Chinese dissident Wei Jingsheng, and Sergei Kovalev, the Russian human rights campaigner.

Lagos awaits verdict

A Lagos court rules on the detention without charge of three men in

connection with the murder in June of Kudirat Abiola, wife of detained presidential poll winner Moshood Abiola. The police defied a court order in July to release Abraham Adesanya, Gantu Dawodu and Ayo Adefunke (all elderly members of opposition group Nadeco) and pay them compensation. The police have made no progress with the inquiry into Kudirat's murder, which opponents have accused the military government of carrying out.

Public holidays

Belize, Costa Rica, Guatemala, Macedonia, US (Oregon).

SATURDAY 12

New-style vote for NZ

New Zealanders go to the polls for the first time under the country's new proportional representation voting system - which replaces the traditional Westminster-style "first past the post" electoral method. With a significant number of voters unhappy at the way in which the country's aggressive economic reform programme has cut into social welfare areas, the new system is likely to hand many more seats to minor parties. Senior political advisers confess they have little firm idea what the vote will bring. It may be weeks before the new government's final complexion is known.

Public holidays

Argentina, Brazil, Chile, Costa Rica, El Salvador, Equatorial Guinea, Guatemala, Honduras, Malaysia (Melaka), Mexico, Spain, Uruguay, Venezuela.

SUNDAY 13

Austrians vote for deputies

Austrians vote for deputies to the European Parliament for the first time. When Austria joined the European Union in 1995, the 21 seats were filled in line with the distribution in the national parliament, where the coalition government of Social Democrats and conservatives holds a two-thirds majority. Pollsters forecast big gains for the far-right Freedom party of Mr Jörg Haider, who had opposed Austria's entry into the EU and is now benefiting from growing disillusionment. Voters in Vienna will also be electing a new state and municipal assembly.

Motor racing

Britain's Damon Hill needs only one point to clinch the world motor racing title in today's Japanese grand prix at Suzuka. But Hill tends to be hapless (or luckless) at times, and could be pipped by his Williams-Renault team-mate, Jacques Villeneuve of Canada. Even if Villeneuve wins today's race, Hill only needs a top-six finish to take the title. The Williams-Renault team has dispensed with Hill's services for next season.

Compiled by Caroline Fossey. Fax: (+44) (0)171 573 3194.

ECONOMIC DIARY

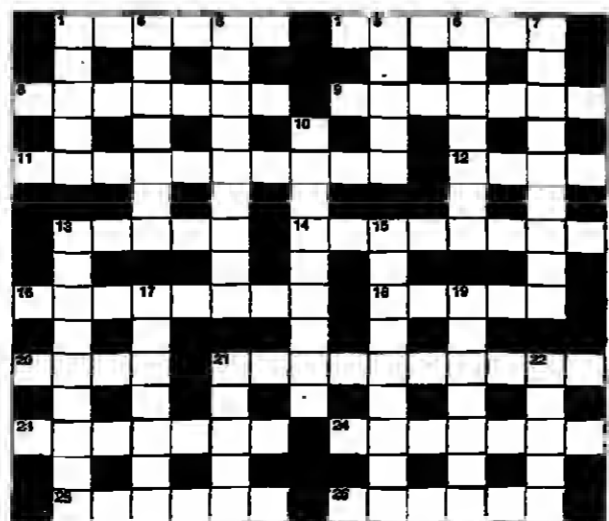
Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Aug industrial production**	0.3%	0.5%	UK	Sep tpl excl mortgage int pymnts**	2.5%	2.5%	
Oct 7	UK	Aug industrial production**	0.8%	0.8%	UK	Sep tpl excl mort pymnts, ind tax'n**	2.3%	2.4%	
	UK	Aug manufacturing output**	0.4%	0.5%	Canada	Sep raw materials price index (adv)**	0.5%	0.5%	
	UK	Aug manufacturing output**	-0.2%	0.3%	Canada	Aug motor vehicle sales*	1.0%	-2.9%	
	US	Aug consumer credit	\$7.0bn	\$7.6bn	US	Sep monthly M1	\$6.9bn	\$6.0bn	
Tues	Japan	Sep overall wholesale price index**	0.2%	-0.2%	US	Sep monthly M2	\$10.1bn	\$12.1bn	
Oct 8	Japan	Sep overall wholesale price index**	0.1%	0.5%	US	Sep monthly M3	\$27.5bn	\$20.4bn	
	Japan	Sep domestic wholesale price index**	-0.7%	-	FR	France Sep consumer price index preliminary	0.3%	-0.3%	
	Japan	Aug mach'y orders ex elec pwr, ships**13.2%	22.0%	-	Oct 11	Canada	Sep employment**	0.2%	0.8%
	Italy	Jul EU trade balance	13,500bn	12,200bn	Canada	Sep unemployment rate*	5.4%	5.4%	
	Italy	Aug trade balance excl EU	15,800bn	16,500bn	US	Sep retail sales	0.3%	0.2%	
	Germany	Sep unemployment - west†	5.0k	26k	US	Sep retail sales excluding automobiles	0.3%	0.2%	
	Germany	Sep unemployment - east†	-5.0k	-12k	US	Sep producer price index	0.3%	0.3%	
	Germany	Sep unemployment - pan-Germany†	0.0k	14k	US	Sep bank credit	-	-1.0%	
	Germany	Jul employment - west†	-4.0k	-6k	US	Sep commercial and industrial loans	-	2.4%	
	Germany	Sep vacancies - west†	-6k	-	Neth'nds	Sep consumer price index*	0.5%	-0.1%	
	Germany	Sep shorttimes - west (not†)	-63k	-	Spain	Sep consumer price index*	0.3%	0.3%	
	Japan	Aug current account (IMF) (not†)	¥500bn	¥648bn	During the week...				
	Japan	Aug trade balance (IMF) (not†)	¥785bn	-	Germany	Sep final cost of living - west*	-0.1%	-0.1%	
	Japan	Aug foreign bond investment	¥188bn	-	Germany	Sep final cost of living - pan-Germany*0.1%	-0.1%	-0.1%	
Wed	US	Aug wholesale trade	2.4%	-	Germany	Jul trade balance	DM7.2bn	DM7.0bn	
Oct 9	Spain	Jul industrial production**	-0.4%	-5.7%	Germany	Jul current account	-DM6.3bn	-DM2.1bn	
Thur	Aust'ia	Sep unemployment rate*	-	8.6%	Germany	Aug capital account	DM2.2bn	-	
Oct 10	UK	Sep retail price index*	0.4%	0.5%	Germany	Aug net foreign securities purchases	DM15.0bn	-	
	UK	Sep retail price index**	2.1%	2.1%					

Other economic news

Monday: UK manufacturing output is expected to have increased in August, suggesting rising consumer demand is feeding through into industry more strongly. Tuesday: Japanese wage price inflation is forecast to have slowed last month. Italy's trade surplus with EU countries is expected to have widened in July. Wednesday: The minutes of September 4's meeting between the UK chancellor and the Bank of England's governor are published. Thursday: Kenneth Clarke, the UK chancellor, addresses the Conservative party conference. The latest survey by the Confederation of British Industry is expected to show the pick-up in UK high street activity is continuing. The UK's headline and underlying inflation rates are forecast not to have changed in September. Friday: US retail sales growth is forecast to be stronger last month than in August. French consumer price inflation is expected to remain broadly unchanged. The annual rate of Spanish consumer price inflation is forecast to have fallen slightly last month.

- 1 Soldier tucked into old crone's dish (6)
- 4 Capital naturalist (8)
- 8 Comprehensive cover (7)
- 9 Girl, given Chinese food, wanting more (7)
- 11 Unintentional change of irony (13)
- 12 It helps to make shoes wear well (4)
- 13 Swift portrayal of a brutish lot (5)
- 14 Crossword addicts should be used to such a set-back (8)
- 16 Report to a lever for lift (8)
- 18 Solicit for votes in the foyer (5)
- 20 As a medal it's unbeatable (4)
- 21 She must step in line to succeed on stage (5,4)
- 23 Tried writing to the editor (7)
- 24 Reveals changes for divers (7)
- 25 Suit the dead (6)
- 26 Plays for time in the open market (6)
- 1 Such a vocation accepts destruction (5)
- 2 Staring out a bit of parody, perhaps (7)
- 3 Medical bulletin might give one a bad reputation (3,5)
- 5 It's hard hit when iron-walkers strike (6)
- 6 Point to a barrel-shaped singer (7)
- 7 Shift scenery as required (7)
- 10 Reserve accommodation (5)
- 12 Allow eyes to wander between Korea and China (6,3)
- 15 Fastry cooked in oven vault (3-2-4)
- 17 Beggar gets state hand-out (7)
- 19 Great stroke of business? I am not impressed (3,4)
- 21 Piece of sacred music choir's beginning to perform again (5)
- 22 Gathers in spare parts (6)



MONDAY PRIZE CROSSWORD No.9,192 Set by DANTE

A prize of a Pelikan New Classic 880 fountain pen for the first correct solution opened and five runner-up prizes of 250 Pelikan vouchers will be awarded. Solutions by Thursday October 17, marked Monday Crossword 9,192 on the envelope, to the Financial Times, 1 South Bank Bridge, London SE1 9HL. Solution on Monday October 21. Please allow 28 days for delivery of prizes.

Name: _____ Address: _____

Winners 9,180 Mrs A. Buchanan, Burnley, Lancs. G. Carter, London EC3 R. Gray, Cambridge Mrs S.M. Skitteral, Torrevieja, Spain R. Walters, Garlsen, Germany E.P. Wilson, Heaton Moor, Cheshire

Solution 9,180
 SCOURS CHESSSET
 TUTE C E H E
 RAHUNG GOMPHAS
 A S H P A I S
 TAKEAWAY CHIBBI
 U I L U U E
 SURE OCCUPATION
 P P I D R
 ASSASSINATION WIND
 T A V U H E I
 EPONYM ORAGORITE
 L P B O B G S
 BURNING GLOBE
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MORSE

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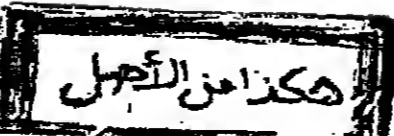
Sibling rivalry between Microsoft NT and UNIX is pretty friendly within the Hewlett-Packard family of business servers.

Both excel in different ways, but they are happy to live and co-operate with each other on the same network. They can share resources and data, and both can be kept in check with the same network management tools.

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JOTTER PAD



BUSINESS TRAVEL

Travel News Roger Bray

Business travellers are being urged to book flights to the Middle East...

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Likely weather in the leading business centres

Table with columns for cities (Tokyo, Hong Kong, London, Frankfurt, New York, Los Angeles, Paris, Zurich) and days of the week (Mon-Fri) showing weather icons and temperatures.

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Business travellers are being urged to book flights to the Middle East...

Amon Cohen on the Kafkaesque world of travel visa procurement

Grounded by red-tape

Business travellers are being urged to book flights to the Middle East...



Business travellers are being urged to book flights to the Middle East...

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

Table listing various companies and their dividend/interest payments for the week ahead, including dates and amounts.

COMPANIES

Table listing various companies and their meeting dates and times, including locations and topics.

No ban on in-flight smoking

Business travellers are being urged to book flights to the Middle East...

Business travellers are being urged to book flights to the Middle East...

Advertisement for EUnet Traveller, featuring the EUnet logo, a photo of a person using a laptop, and text describing the service as a mobile internet service from a world leader.

Advertisement for 'One Big Happy Family' featuring a photo of a family and the text 'More Data'.

MANAGEMENT

A new theory of corporate performance should not be dismissed as a fad, writes Tony Jackson

How EVA measures up

A new theory of corporate performance is creeping into British boardrooms. Its source is American and its proclaimed beneficiary is the shareholder. It could just be a fad, but is more likely here to stay.

Economic Value Added (EVA) is, in principle, very simple. It measures the difference between the return on capital and its cost, and thus puts a figure on how much value has been created by a company in the course of the year. In other words, it shows investors the return on their money.

The system can be applied not just to the whole corporation but to businesses within it. It can therefore be used to set targets for individual bonuses, which in extreme cases are extended down to the shop floor.

One UK company which has embraced EVA is Burton, the retailer. Another is the engineer Lucas, which has just merged with Varty of the US, whose chairman Victor Rice is a particularly keen adherent.

According to John Grant, finance director of Lucas and now of the merged company Lucas Varty, Lucas had been looking at EVA independently before the takeover. Indeed, it had identified Varty as a successful exponent of the technique.

"The ultimate principle behind EVA," he says, "is that it drives continuous improvement, and rewards people for getting there quickly." He adds: "It really is about changing the culture. It aligns the objectives of managers and shareholders."

The principle of measuring added value in business has been around for at least 25 years, and there are a number of approaches now being peddled by management consultants. EVA, currently the most popular, was developed by the New York consultants Stern Stewart & Co.

First, take the calculation of return on capital. From an investor's view, it is argued, conventional accounting contains serious distortions. This is because it looks at the business in terms of its liquidation value: that is, from the viewpoint of its lenders and trade creditors, rather than its shareholders.

For investors, the main concern is not the company's long-run liabilities, but the cash and cash-generating assets it has at its disposal.

Thus, EVA adds back to the conventional profit figure various non-cash deductions such as deferred tax, goodwill amortisation and bad debt provisions.

It also adds back R&D expenditure, which is taken to be not a cost but expenditure on an asset. This may or may not have a flattering effect.

While the adjustments tend to inflate the profit figure, they can even inflate the share price even more. The system also deals ruthlessly with restructuring charges



and the various forms of acquisition accounting, since it deducts cash charges from profits.

When it comes to the cost of capital, the change from conventional accounting is more profound. The essential difference lies in calculating the cost of equity.

For many companies of the old-fashioned sort, equity is still seen as a cheap form of capital. This is because they measure the cost of servicing it that is, the dividend payment. From the shareholder's viewpoint, however, what matters is the opportunity cost of having money tied up in the business.

The cost to the shareholder can be measured in various ways. The underlying premise - based on the academic theory known as the capital asset pricing model - is that it consists of three parts. First is the yield on a riskless investment, such as government bonds.

Second is the risk inherent in equities as a class, measured by the performance of equities versus bonds in the past.

Third is the risk of the specific company, as measured by the beta, or volatility, of its share price. Adding up those components, the result will normally be in double figures: say, 11 to 12 per cent.

Then the cost of the company's debt is calculated, and the two

are combined on a weighted basis.

The whole process is illustrated in the table (below), showing the EVA for the UK conglomerate Williams. Though Williams is in conventional terms a highly profitable company, its EVA works out as negative; it is destroying value for shareholders. It is not alone in this.

According to EVA analysis,

Calculating EVA

Table with 2 columns: Item and Amount. Items include Williams Year to Dec 1995, Operating Profit, Provision, Net interest, Cash tax, Other, Net return, Equity, Provision, Goodwill, Cross Deal, Capital Employed, % Return on Capital, Cost of Capital, and EVA.

EVA (41) Final rate of return = capital employed Source: NatWest Securities

other companies destroying value include such venerable names as IBM and ICL. How do companies use EVA in practice? Lucas Varty, Grant says, starts by working out what kind of return shareholders implicitly expect on their investment, as reflected in the share price.

The company then works out what rate of improvement is needed over the next 10 years to meet those expectations. That is, having set a figure for EVA in year one, it fixes the rate at which EVA must rise in succeeding years.

It then uses that figure to set incentives for staff. According to Grant: "When we have agreed the group target we move to allocate it to our seven divisions, with a little for the corporate centre. We aim to push it down absolutely as far as we can."

In the first year of the plan, starting next February, the aim is to cover the whole management population which currently has an incentive plan - around 2,000 people. But Grant points to Varty's Perkins engine subsidiary, where the system applies to the entire 4,000 workforce, down to the shop floor. Ideally, he says, this should be applied in time to the whole group.

The bonus system itself is straightforward. Suppose an EVA target has been set for year one at £10m. If the manager meets it

exactly, he or she is paid a "normative" bonus. If the result is £20m, the bonus is doubled.

But - an important qualification - not all the bonus is paid out in year one. Half is retained for payment the following year; and if the manager misses that year's target, a corresponding amount of the money is forfeited. This is a safeguard against managers massaging the first year's figures - say, by running down inventories - in ways which will show up in year two.

The system applied by Burton is similar. Andrew Higginson, finance director, says it is being applied at the level of area store manager, or in the case of big department stores such as Debenhams, at the individual store level.

"It's the underlying philosophy which is the key thing. Three years ago we paid bonuses on sales. Then we moved to profit. Now we're looking for something which more accurately reflects the shareholder's position in a capital-intensive business."

One of the biggest changes, he says, has been to increase the value of the group's leasehold properties in line with freeholds: to impute the full cost to the manager running the store. "In philosophical terms you're trying to get people to recognise the real value of capital. All companies assess the value of a project before they spend the money, but very few make people accountable afterwards. Here, you have to live with the consequences of your spending decisions, since you carry them forward as part of your capital."

The system sounds so appealing that it is tempting to look for flaws. Professor Paul Marsh of the London Business School favours EVA-type schemes in principle, but sounds a note of warning. "There are an awful lot of consultants selling those systems. Many of them are not well trained in finance, so they oversimplify, overstate and over-sell."

In particular, he points to one of the most crucial elements, the cost of capital. "This is not a precise science. If academics are honest, the best they can claim is that they're within 3 percentage points either way. Some of the systems I've seen are preposterously silly in the ways they calculate cost of capital."

Second, he says, the use of EVA to measure the performance of company divisions - and thus divisional managers - has a central difficulty. "It starts from the basis of book value. But the whole EVA edifice is based on the market value of assets. And if you work on the basis of replacement costs, who's to say you would replace those particular assets?" In the end, as Professor Marsh observes, there is no substitute for thinking. "If EVA helps you think, fine. The problem is if it blocks your thinking, and some of those consultants' packages do that."

To be fair, there is no obvious difference between Professor Marsh and EVA's more sophisticated followers.

As Higginson, Burton's finance director puts it, "EVA is not an alternative to profit. It just broadens it by taking account of the cost of capital. It's very much a refinement of the way you do business today."



Faster food: Julian Metcalfe and Sinclair Beecham

PARTNERS

Pret A Manger

Julian Metcalfe, 38, and Sinclair Beecham, 38, opened their first Pret A Manger in 1986. Four years later, they opened a second shop. They now have 50 shops throughout the UK and an annual turnover of £40m.

Julian: "Sinclair's the mathematician, I'm the artist. He likes to have all the plans completed before he does anything."

"I'm the sort who makes it up as I go along. If the company was run entirely by Sinclair, someone would suggest an idea and he'd say, 'well bring me the proposal and the projections' and after a couple of hours they'd give up. As I own half the company he'll let me start any project - as long as it isn't too much."

I have a lackadaisical attitude to money and seem to spend four times what he does. Sinclair always flies economy, whereas I go club class.

It means my company balance sheet is negative by £500,000. We have an arrangement where one day he'll be able to say, 'I want this because you've had that.' I don't actually care. We have a 50/50 partnership and we draw the same salary.

Sinclair lives within his means. I live on an overdraft but that suits us both. We could afford to pay ourselves ten times as much but we'd rather reinvest it in the company.

We could have sold half of the business a year ago and now have 150 shops, yet they wouldn't be as good.

We're in the fast food business but if you rush things you mess it up. It's important we keep the quality. When you're dealing with a commodity that costs £2, the real battle is service.

Anyone can set up a sandwich business with £5 yet Mr McDonald is the only person

in the whole world to have cranked it. We'd both rather not serve a customer at all, than serve them badly."

Sinclair: "The idea from the start was to have New York service with French quality food. We'd both been to Paris and seen freshly prepared food that you couldn't buy for love nor money over here. At the time, the only way you could actually get that was by always being the food man. He works with the chef, suggesting colour and flavour, until we eventually get a product we both want to eat."

It was Julian's idea to sell the salads in standard priced bread rather than have it scooped from a huge mountain. I remember looking at the boxes and saying, 'Do you think anyone will ever buy that?'

It took us four years to define the concept which was helped by the fact that retail property was at a premium during that time. Julian was running around saying, 'They paid £20 grand, why don't we?' I kept doing the figures but could never work it out.

He'd get very frustrated and I'd skulk off into the background, yet most of those businesses went into huge financial difficulties.

Julian is impulsive and impatient whereas my conservatism keeps us balanced. Sometimes I can see where his ideas are heading.

Buying 200 scooters from Italy seemed like a mad idea because I estimated the cost at about £1m.

I kept quiet and it's now developed into something special. The staff can buy them monthly for less than the price of their travel cards.

It's important not to kill ideas in the making. We've made millions of mistakes, but making and recognising mistakes is the way we've gone forward."

Fiona Lafferty

Excuse me while I take a biobreak

Dear Annie, is my e-mail safe? asks an anxious reader in Fortune magazine's brand new agony column. Is it private, or can your employers snoop?

The answer seems to be that employers can snoop as much as they like. Earlier this year two employees at Pillsbury got fired as a result of an exchange of messages in which they called a superior a "back-stabbing bastard". They claimed that their e-mail conversation had been private but a US judge ruled that the company owned the system and could therefore browse to its heart's content.

The thought is not pleasant. However, even without prying bosses, e-mail must be the most dangerous form of communication in existence. How delicious to dash off an indiscreet message

and press the send button. How easy to live to regret it.

People say much more in e-mail messages than they would ever say in person - when you can't see or hear the other person you feel free to say what you like. On any system not only is it easy to send the message to the wrong person, but the message flashes on the screen of the recipient - and can be viewed by anyone prowling behind their desk at the time.

"I love you" wrote a colleague to a noble trainee. She never got the message. But the editor's secretary, a respectable older woman, who happened to have the same surname and initial, was surprised at the declaration.

Equally one of the FT's most renowned columnists was taken aback one day to receive a message from a male colleague say-



Lucy Kellaway

ing "you're looking gorgeous".

These lapses are embarrassing, but not lethal. However, I have done the unthinkable and written a message containing an unflattering portrait of a superior and sent it to him by mistake. Thank goodness I do not work for Pillsbury.

The lesson from all this is clear. Use office e-mail for uncontroversial messages only, and keep the tittle tattle, the lust and the sarcasm to yourself.

And will we learn this lesson? It doesn't look like it. A software company has developed a programme that makes it appear that you are working when you are really messing around sending messages. I gather it is becoming a smash hit.

I have decided to write a management book about gardens. I can't say too much about it now for

fear of imitators, but the thesis is that the garden is the perfect model for the modern organisation.

The plants are the people, each one capable of its own personal growth; but only when a sufficient number are growing together does the garden as a whole thrive.

The garden is a flatish structure in which some plants are rarer than others, but all need to compete for light and space. The good garden is constantly being pruned weeded and dead wood taken out - in horticulture, rightsizing has always been a way of life.

It goes without saying that the foregoing is nonsense. But I am confident that it will sell and that will enable me to get on to the guru's lecture circuit. My optimism is based on a volume pub-

lished in the US called The Wisdom of Wolves: Nature's Way to Organizational Success, by Twyman Towery.

On the strength of his knowledge of wolves Mr Towery charges \$4,500 per speech - a modest sum compared to what the big names like Tom Peters get away with.

It seems odd that at a time when companies are cutting (pruning, weeding) every conceivable cost that they are still prepared to pay large sums for what is, at best, light entertainment. Surely this is a trend that is ready to turn. I just hope my book comes out before it does.

"Education, education, and education" was how Tony Blair described the three priorities of a

Labour government at the conference last week.

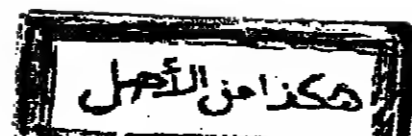
As my husband astutely pointed out as we sat watching the speech on the Nine O'Clock News, this was actually just a priority. I hope Melanie Phillips, who has just written a diatribe against the British educational system - wasn't watching. For she would conclude that in these days of falling standards it is possible to go through Oxbridge and the bar, and be poised to run the country and still not know the difference between one and three.

A reader writes to warn me of a new euphemism being used in business circles. "Bathroom" for "John" are out. The with-it chair person now says at half time "Let's take a biobreak."

LEGAL NOTICES
N&P LIFE ASSURANCE LIMITED
ABBEEY NATIONAL LIFE PLC
A Petition having been presented for their approval to the Court of Session by N&P Life Assurance Limited, a company incorporated in England and Wales under the Companies Act (Registered No: 023649) and having its Head Office at 287 St Vincent Street Glasgow, the sanction of a Scheme of Arrangements between N&P Life Assurance Limited and Abbey National Life plc pursuant to Section 41 and Schedule 2C of the Insurance Companies Act 1982, the Lord Ordinary has pronounced an Interdict in the following terms at Edinburgh on the 26th day of September 1996.

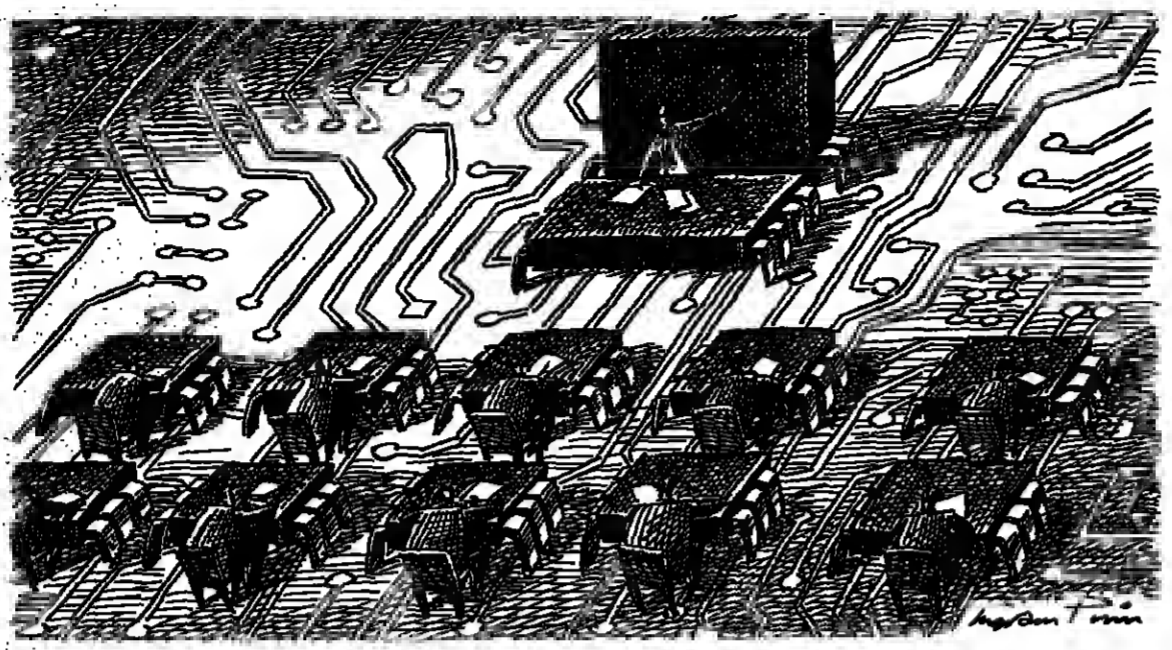
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Video proves a powerful tool, says Della Bradshaw

Making the case



One picture, they say, is worth a thousand words. Faculty members at Harvard Business School have taken this truism to heart and adapted the latest video technology to bring the school's famous case study approach to life.

into operation. When Kim Clark took up his position as the new Harvard dean last October he gave the go-ahead for the ambitious scheme.

Pitch for the boundaries

Business school is bowled over by its sporting success

It may all be good sporting fun, but is it cricket? The latest executive education programme from the University of Bradford Management Centre has been designed to teach managerial skills to 18 of Britain's top cricketing professionals - batsmen, bowlers and wicket keepers.



CONFERENCES & EXHIBITIONS

A large grid of text boxes listing various conferences and exhibitions. Each box includes the date, location, and a brief description of the event. Examples include 'Evaluating Banks', 'European Business Excellence Forum 1996', 'Fixed Income Mathematics', 'Teamworking', 'Insurance 96', '8th Annual Roundtable with the Italian Government', 'Coaching', '1997 International Housewares Show Chicago, Illinois, USA', 'MARCH 6 & 7 Opportunities for Investment in the Mediterranean Region', 'APRIL 21-23 1997 Asian Oil & Markets', 'CONFERENCES & EXHIBITIONS', 'LANGUAGE COURSES', and 'REGENT LANGUAGES FOR BUSINESS'.

ARTNERS A Manager

break

SPORT / ARCHITECTURE

Michael Thompson-Noel • Sport

Alomar affair makes virtue of blandness

Perhaps I am over-tolerant, or squishy in the head. But I reckon that American baseball's Roberto Alomar, the Baltimore Orioles' All-Star second baseman, has been unjustly hounded for his misdemeanours in a game against the Toronto Blue Jays 10 days ago.

Told without subtlety, the saga shows Alomar in a dismal light. He spat in an umpire's face. Later, Alomar suggested that the umpire's personality had changed for the worse following the death of his son. This was bound to cause trouble. But once the media puffed itself up like a poisonous cane toad and expressed near-uniform condemnation of Alomar's behaviour, things got out of hand.

In part, the Alomar story is just a workaday example of the influence of political correctness. But it is also an example of the media's peculiar notion that professional sports stars are akin to "gods", and should behave accordingly. (Sportswriters often use the god-word; it was used in some of the Alomar stories.) At a deeper level, what the media - especially television - would like to do is prettify, emasculate and sanitise sport; drain it of its juices; turn its practi-

tioners into millionaire boy scouts. After spitting at umpire John Hirschbeck, Alomar sought to explain his action by saying, after the game: "I used to respect [Hirschbeck] a lot. He had a problem with his family when his son died. I know that's something real tough in life but after that he just changed, personality-wise. He just got real bitter."

Those words - more than the spitting - produced a hurricane of protest, even though Alomar was described by Thomas Boswell of The Washington Post as "so pleasant, almost shy, by nature that it's easy to believe that he meant no harm".

Alomar was suspended by the American League for five games and is likely to serve his suspension at the start of next season. Alomar played against the Blue Jays again the following day, hitting a 10th-inning home run that sent the Orioles into the American League playoffs for the first time in 13 years.

The umpires were outraged. They wanted Alomar's suspension enforced at once, and threatened to strike. Negotiations and legal hearings followed.

Three days after spitting

at the umpire, Alomar issued a belated written apology to Hirschbeck and his family for "any pain and embarrassment that my actions and comments may have caused". And he said he and the Orioles had offered \$50,000 spiced to John Hopkins University and the Kennedy Krieger Institute for A.L.D. research. Hirschbeck's eight-year-old son died three years ago from adrenoleukodystrophy, a form of leukaemia that afflicts mainly children. Another son suffers from the same disease.

Sportswriter George Vecsey of The New York Times said that to have spat at the umpire was "ugly" and "heinous", and that Alomar's remarks about the umpire's personality compounded the transgression. Boswell, in the Post, quoted an Orioles player as saying: "You don't have to be a parent to know what he said is way over the line. He's going to have to live with the consequences".

However, the media's case against Alomar rested largely on the claim that his words about the umpire had concerned the umpire's child - a perverse interpretation of what Alomar said or meant, or, certainly, said he meant.

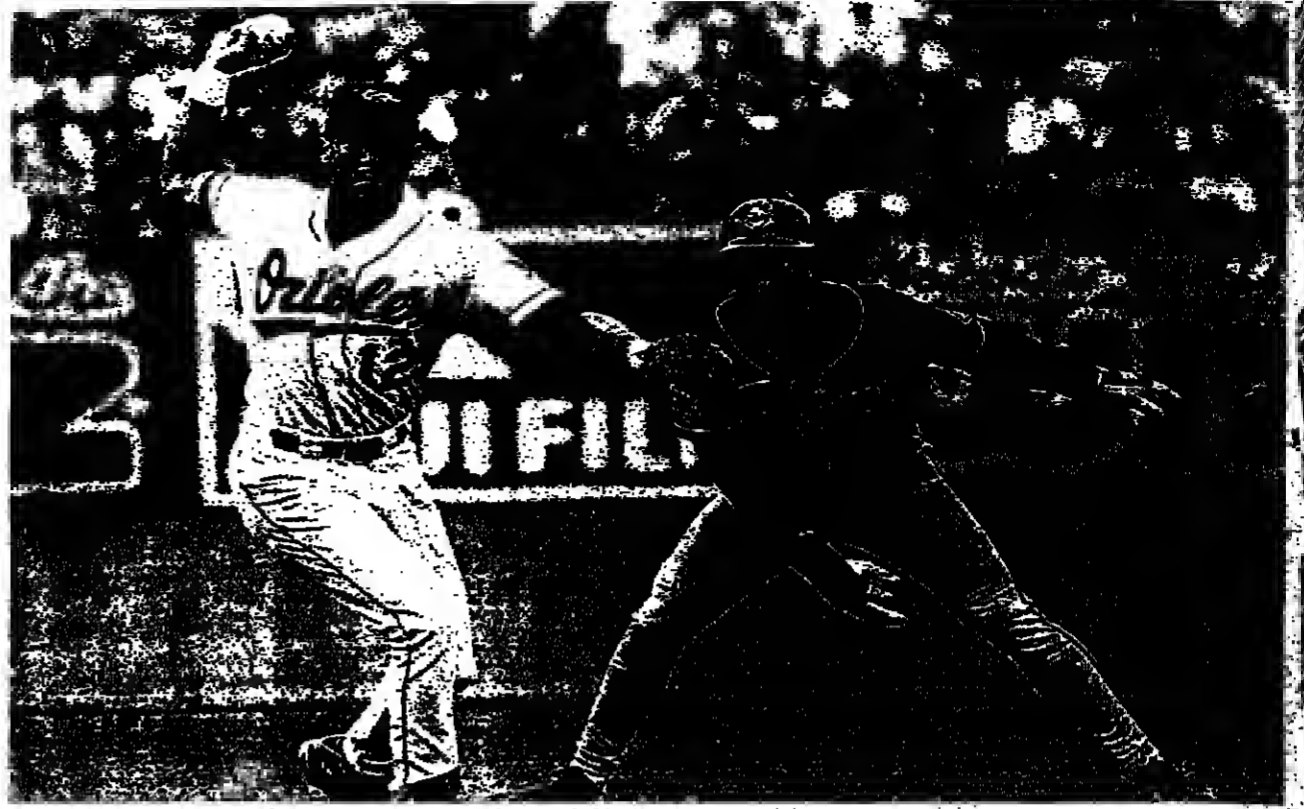
"I will apologise to

[Hirschbeck] like I hope he will apologise to me," said Alomar later. "He is confusing the things that I said. I didn't say anything bad about his child. I just said that [Hirschbeck] had changed after [the child] died."

Unfortunately, sportswriters in the US and elsewhere - Britain especially - like to pretend that sport and sporting prowess are metaphors for human nobility and splendour, and that professional sports stars ought to be capable of exalted standards of public (and private) behaviour. The reason sports writers do this is in order to convince themselves that sport has a significance that transcends mere sport.

Network television, especially, wants sport to be inspirational and inoffensive so as to attract mass-market family viewers. If it could, it would take the spitting and the cursing, even the sweat, out of sport. As for cheating and corruption, both of which are fundamental and ineradicable features of professional sport - please!

Top sportsfolk have to cope with extraordinary pressures. That is partly why they are paid so well. When they lose control and break the rules - like spitting in an umpire's face -



Focus of a bitter row with umpires: Roberto Alomar (left), the Baltimore Orioles' unfortunate second baseman

they are dealt with by those who hire their services. But to persecute them for not behaving like zombies is to risk turning sport into something entirely otiose.

Those who manage sports can always toughen or re-emphasise the rules. Last week, for example, the head of the men's tennis tour warned players that they can face immediate default for abusive on-court behaviour. In an open letter to his players, tour chief executive Mark Miles urged them to watch how they go.

"We will not tolerate a player's verbal or physical abuse of an official, fellow player, member of the media or spectator," the letter said. (Why members of the media need such protection is puzzling, but let it pass.)

Miles stressed that the tour's code of conduct specified that verbal or physical abuse during a match could result in an immediate default, rather than a mere warning or point penalty. That was what happened in August when America's Andre Agassi was kicked out

of the RCA championship in Indianapolis. Agassi was defaulted during his match against Daniel Nestor for cursing officials and slamming a ball into the stands.

Miles also cited possible immediate default for physical abuse directed towards a ball-person or spectator, or violent action against an "on-court fixture" such as a chair or television camera. So, in professional tennis even the chairs have statutory protection. Inevitably, however, Miles

could not resist waffling about sportsmen as role models. "We believe," he told his players, "that tennis players are among the best role models of any athletes in the world. We are proud of the example you have set on and off the court. We know there will be exceptions, but players must be responsible for the consequences resulting from their actions." As baseball's Roberto Alomar has discovered, in big-time sport blandness is hard to goodness.

Thank God for devoted sisters. After the death of Robert Adam, the great 18th century architect, in 1792, his sisters preserved with loving care and enthusiasm all his extant drawings and watercolours. There were some 9,000 of them which the sisters arranged into 54 albums. Eventually, the architect and collector Sir John Soane was to buy them all for his architectural museum, securing the collection from Adam's niece in 1833 for £200, after the British Museum trustees had refused to buy them.

This cache of material, which tells the story of the creative development of one of Britain's finest architects, remains to this

Colin Amery • Architecture

The "Adam style" unmasked

day in the Sir John Soane Museum. For years a hidden treasure, it is one of the great secrets of London.

For the first time, a selection of these drawings is being put on public display at the Sir John Soane Museum in Lincoln's Inn Fields, London for the next few months. The exhibition will then go to the Frick Collection in New York and to the Armand Hammer Gallery in Los Angeles. It is impossible, of course, to show

9,000 drawings, so the curator, Professor Alan Tait, has selected some 60-odd drawings by Robert Adam and his brother William, with other material.

The "Adam style" is daily misinterpreted by estate agents and badly copied by furnishers and decorators. Almost every marble chimney piece is described as "Adam", and every pastel coloured room with some thin classical decoration is seen as a manifestation of the Adam style. This

little exhibition is much to be commended because, deftly and elegantly, it reveals the radical talent of this Scottish architect, who was to become a cosmopolitan influence.

Robert Adam spent two years in Rome from 1755. Ostensibly he went as a grand tourist, but in reality he went to learn to draw at the feet of the master of classical and landscape drawing, Clerisseau. Clerisseau would have taken Adam on archaeological

expeditions and provided enlightened itineraries for him designed to smooth the rough edges that remained from Adam's provincial and self-taught background.

Rome provided more than one master for Adam, and the influence of Piranesi's wilder visionary drawings was to release a sense of drama in some of Adam's later interiors. This exhibition intelligently makes the point that a sense of Arcadian harmony exists between nature

and classical architecture and that is what both artists and architects gleaned from their lengthy excursions to Italy.

In Adam's country houses, two aspects of Italy are enshrined. One is the palatial scale of his highly decorated rooms, the other is his sense of the picturesque in the placing of ruins in a landscape. One remarkable drawing of a vast office court for the estate of Brampton Brywn made utilitarian buildings into

a ruined Roman camp. Today we know Robert Adam from the litany of great houses where he worked. Few were completely new buildings. They were elaborate conversions and remodelings, all of which encouraged Adam's highly decorative taste for interiors. The breakfast room at Kedleston is beautifully shown with morning shadows falling across the richly decorated walls, while the design for his French interiors at Northumbria House is one of the most beautiful drawings in the show. If you had thought that the "Adam style" was subtle pastels, think again. The hot pink of this room is more shocking than any modern interior.

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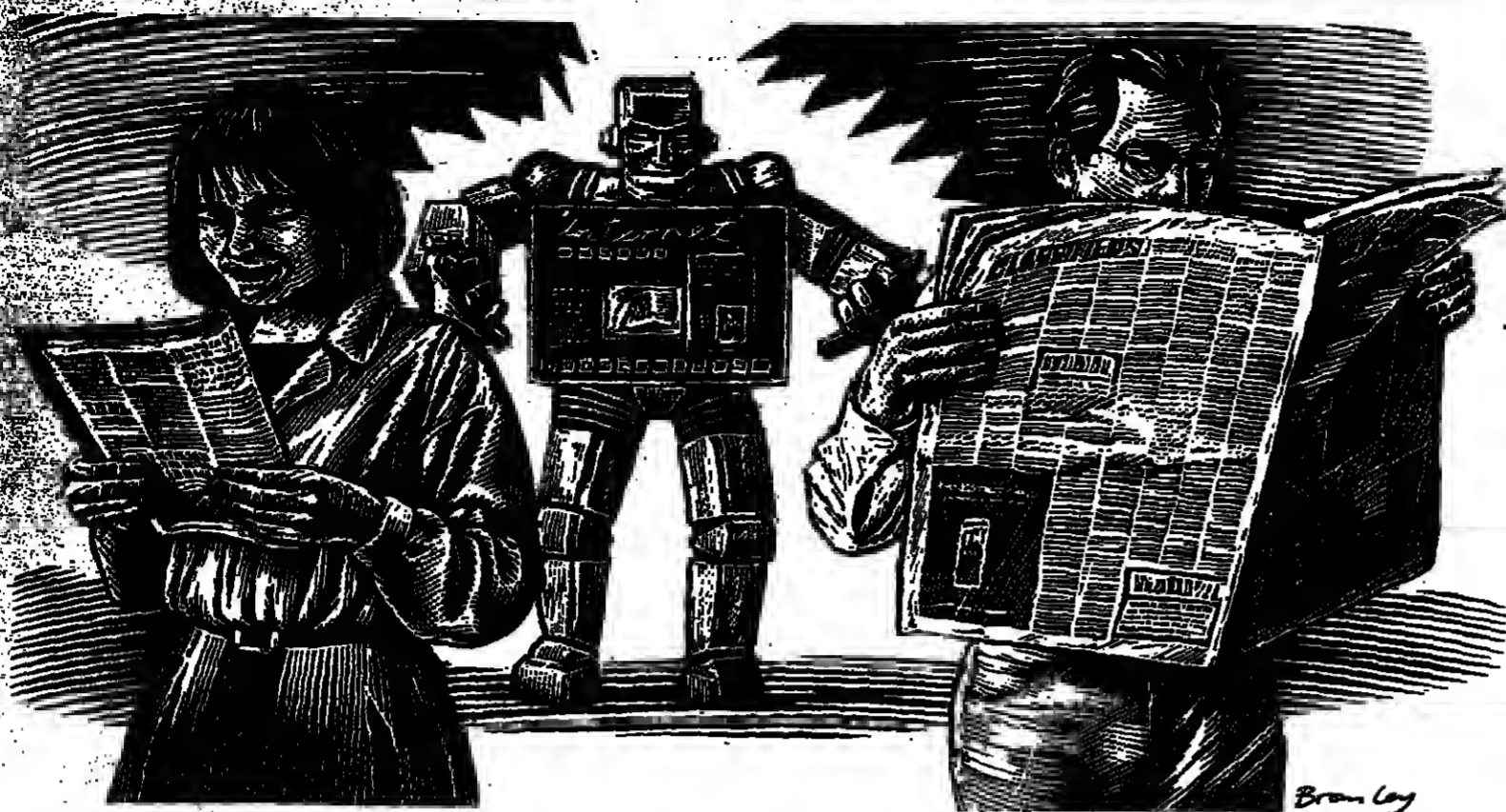
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MEDIA FUTURES



Net facts burst ads bubble

Spending will be significant but not epochal, says Winston Fletcher

The first commercial advertisements were booted on to the Internet just two years ago. Since then, as any geek will brag, advertising in cyberspace has gone mega. The growth graph is as vertical as a triumphant space launch. But that is from a null base. In reality, there is still much ad space being bought on the Net.

Recent figures show that \$6m (£2.5m) was spent on Internet advertising worldwide in the three months to June this year, the most buoyant quarter for Net advertising yet. Given the rate of growth, such advertising will doubtless total well over \$20m for 1996 as a whole, climbing - perhaps - to \$40m in 1997.

That is not bad, but it is light years away even from gurus' conservative predictions of \$2bn annually by 2000. Some technofreaks are even forecasting \$5bn-\$6bn per year for Net advertising by 2000 - a level of revenue it has taken US cable TV operators 16 years to achieve.

To put these figures in perspective, in the UK alone approximately \$450m (nearly £300m) is at present spent on radio advertising per year - and that is just 2.7 per cent of annual total UK advertising expenditure.

In the US, where most of the Internet money is spent, comparable spends are about eight times greater than Britain's.

In the quarter to June 1996, some 800 companies worldwide used Net advertising. About 7,000 brands appear on UK television each year, and - again - the comparable US figure must be at least eight times as great.

So the Net still has a way to go before its blood-curdling threats to decimate traditional advertising media need to be taken too seriously.

That is because, despite all the hype, the Internet has not made much headway with traditional big spenders. Many are experimenting, none are yet convinced. Take cars. Cars have long been thought ideal for the advertising superhighway, as prospective purchasers are able to question their

screens ad nauseam without going anywhere near a showroom or - better still - a car salesman.

All the important US, Japanese and German car companies now have trial sites. You can examine the models and colours and peer around inside the vehicles.

Before long it will even be possible for couch potatoes to simulate the total driving experience, though it is difficult to see how this will be any closer to reality than the hair-raising drives already available in amusement arcades - or even as close. Yet despite their manifest suitability, cars at present account for only 3.2 per cent of the Net's modest ad revenue.

Financial services, another sector for which the Net is often touted as the answer to a futuristic marketing man's prayers, contribute just 2 per cent of the cyberspend.

The big spenders, who provide 63 per cent of the virtually total cake, are all - as you might have guessed - Web and computer-related service and software companies, with Microsoft (again as you might have guessed) very much in the van.

About 60 per cent of the Net's advertising revenue goes to the site owners, and 40 per cent to the site creators and builders. The big sellers of Web space are the search engines, Yahoo (200 advertisers), Lycos (180) and Infoseek (140). And all but two of the Top 10 are independents, the two exceptions being Ziff-Davis (part of Time Warner) and Pathfinder.

The presence in the marketplace of such big operators, small though their operations are, spotlights the belief of many pundits that the cybernetic handwagon is indeed starting to roll. But are they right?

Nowadays, hardly a minute goes by without some cyberser sticking a finger in the air and pronouncing yet another new record-breaking number of Net browsers.

The best current estimate, from Microsoft, is that there are 48m Net-users globally and 30m World Wide Web users. Of these, very nearly 75 per cent are in North America, with Europe

accounting for a rapidly growing 11 per cent.

BT claims that 300,000 Britons regularly surf the Net, and predicts the figure will reach 4m by 2000, which seems more than a mite optimistic to me.

Even 4m users, however, would equate to only 8 per cent of the UK teenage and adult population: a useful market, but nowhere near the saturation coverage provided by television, the press, magazines, direct mail and posters.

Nor, for mass market brands, are the Net's advertising costs cheap at present. Though rates are, as the ad goes, highly flexible, costs-per-1,000 Net viewers reached are significantly higher than those offered by the traditional media.

And reaching target audiences cheaply is what advertising is all about, even though cybertuffs often seem to forget it.

For the great majority of products and brands, then, the Net will, long into the foreseeable future, be a support medium at best. Nonetheless, 4m potential users in the UK alone cannot be ignored.

And, as is already proving to be the case for computer-based products and services (a vast and relentlessly growing market), Net advertising will increasingly be invaluable.

It will be particularly effective where customers seek an on-going online relationship with suppliers, and for international companies with international brands to promote.

It is worth remembering, however, that English is the Web's lingua franca. Not many non-English speakers are likely to find surfing much fun for many decades to come - if ever.

The Net could also carve out other lucrative niches by exploiting its strengths more effectively. Microsoft and many others are fond of pointing out that the Net allows viewers to select the advertising they wish to see. As Bill Gates puts it: "Consumers will invite Web advertising into their lives".

Well, yes. But it is exactly

because consumers do not particularly want to invite more advertising into their lives that advertisers pay extra for special print-media positions and prominent poster sites.

This has nothing to do with whether or not consumers happen to like the ads. It is because the function of most advertising is to grab people's attention, and interest them in products they were not necessarily interested in beforehand.

That is why many other large and successful communications media carry little or no advertising - videotapes, sound records and discs, books, the telephone and fax machines, to mention but a few.

They do not provide the inherent qualities needed by advertisers. Nor does the Net. So it will never be a significant advertising medium for the great majority of consumer goods and services.

However, there is a fair amount of advertising that people do search for, of their own volition. And that is the kind of advertising for which the Net will be perfect.

For example: recruitment advertising, especially for scientists; property advertising, especially late bookings; certain types of home shopping catalogue advertising; hobbyist advertising; some types of direct response advertising; classified ads of all kinds.

This will not, by the standards of the world's not creative ad agencies, be gloriously fashionable stuff. But it will be good, profitable business. There'll be gold in them thar sites.

Anyway, traditional advertising agencies are not the best people to approach if you are interested in developing a Web site. Click through the advertising currently in place and you will easily spot the somewhat amateurish efforts developed by agencies, usually with outside IT advice.

Web advertising is as specialised as exhibition stand design: not something ad agencies do well, no matter how creative they may be.

And Web sites need to change and evolve con-

stantly if they are not to be struck off browsers' bookmarks. Fortunately, there are now some specialist site designers around who know their digital onions.

Not that creativity is wholly unimportant. In advertising, of whatever kind, it never is. Microsoft recently tested, on two successive weeks, two alternative creative executions for the same product. One ad attracted 50 per cent more visitors than the other, and the most visited execution generated double the level of further investigations.

Neither execution, it must be said, would be likely to scoop awards for outstanding creativity. But it proves that when it comes to advertising, even in cyberspace the message is at least as important as the medium. Wrooag again, Marshall McLuhan.

Winston Fletcher is chairman of the UK advertising agency Delaney Fletcher Boscell.

Tim Jackson

Eyes on Amazon



There are not many exceptions to the marketing rule that ideas that are good are not new, and those that are new are not good. But last week I discovered one in a Seattle company called Amazon.com, which sells books over the Internet. Before revealing this good oew marketing idea, it might be worth explaining something about its inventor, since Amazon.com is one of the few genuinely useful shopping services on the World Wide Web.

The company runs a Web site, accessible from any PC with a browser, that contains a catalogue of two-thirds of the 1.5m English books in print. Finding a title using a search engine, customers can check its availability online, and then order it immediately with a credit card.

Shipping prices start at \$3 plus 85 cents per book, with higher charges for international and overnight service. But the company discounts 300,000 titles, so most US customers will find that delivery is effectively free. These elements, together with a stock list six times larger than any physical bookseller in the world, make Amazon.com the quickest and most convenient way to buy books I have encountered.

It is also good for presents: sending a book to someone, buyers can choose from three different wrapping papers and type a message. Such a service is out easy to deliver. The key is that Amazon.com has live electronic links to a dozen wholesalers. Apart from 500 bestsellers, the company keeps zero inventories.

When a customer orders a book, Amazon.com orders it from the wholesaler, and when the book arrives in its Seattle warehouse it is bar-coded and sent by the company's computer to a bin where the customer's order

notification by e-mail when a new title comes out.

Another service, Editors, delivers a regular list of category favourites chosen by Amazon.com's own staff. To ally fears that the system will narrow horizons rather than broaden them, the system will soon incorporate a "serendipity quotient" allowing customers to receive an occasional suggestion further from their interests. They will even be able to see a list of books that Amazon.com's computer expects them to like.

Next, the company is planning to put customers in touch with each other. Bezos admits that in a physical bookshop, he rarely has the nerve to look over a fellow browser's shoulder and recommend a book. "Online, I'd do it in a heartbeat." So the company will allow buyers to become "visible" if they choose, and to chat online with others browsing electronically in the same subject areas.

And the new marketing idea? It's called Associates. By filling in a form on the Amazon Web site, owners of other sites can sign up for a scheme that pays them commissions for referring their own users to the online bookstore. Users will see a page of recommended books on their favourite Web site. Clicking on a title will jump them straight to Amazon.com's order form for that book. If they buy it, the referring Web site gets 8 per cent of the gross.

Bezos calls this a "micro-franchising opportunity", and points out that 8 per cent is a great margin for a Web site owner which holds no inventory, uses no labour and requires no marketing. I see it more as a new kind of network marketing, in which Amazon.com has the potential to sign up millions of owners of special-interest Web sites in a vast electronic sales force, one that requires no training, no administration and no management time to motivate.

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A giant leap for CD-Rom

The customer base is set to expand, writes Alice Rawsthorn

When Star Trek Borg hits the stores next month, any trekkie with access to a CD-Rom drive will be able to discover Borg, the alien culture featured in Star Trek: First Contact, the film due for release at the same time. The adventures of the Starship Enterprise have featured in several best-selling CD-Roms, including Star Trek: The Next Generation Interactive Technical Manual, which has sold more than 300,000 copies.

Simon & Schuster, the book publishing subsidiary of Viacom, the US entertainment group that also owns Paramount, the Hollywood studio behind the Star Trek films, hopes its new Borg CD-Rom will be equally successful.

Yet for every successful CD-Rom, such as the Star Trek series, there are dozens of flops, often expensive ones. A study of the publishing industry by Euromonitor, a research consultancy,

concludes that a combination of poor marketing and escalating production costs means that, with few exceptions, CD-Rom publishers are still loss-making.

However, CD-Rom sales, which have shown strong growth worldwide during the mid-1990s, according to Euromonitor, are set to rise rapidly.

Euromonitor estimates the world retail value of all electronic publishing products, including audio books and online publications as well as CD-Roms, at \$3bn (£1.9bn) in the year to mid-1996. That compares to a retail value of \$80bn for the global book market last year.

The \$3bn tally for CD-Roms in the 12 months to mid-1996 is 32 per cent higher than for the previous year. Euromonitor predicts stronger growth during the next 12 months, with the retail value of the electronic publishing market rising by 44 per cent to \$4.33bn. Chief catalyst for this

projected increase is that 1995 was a critical year for the CD-Rom market (by far the largest part of the electronic publishing sector, with annual sales of over \$1bn in the US alone), as it marked the first time the majority of newly purchased personal computers were fitted with CD-Rom drives.

So far CD-Rom sales have been hampered by a relatively small customer base, due to the dearth of drives, and by booksellers' reluctance to promote them. Computer retailers discount CD-Roms so aggressively that profit margins are low. Booksellers have preferred to promote traditional books, with typical profit margins of 40 per cent, rather than CD-Roms, where margins can be as low as 20 per cent.

CD-Rom production costs have soared. Voyager, a US multimedia company, spends \$150,000 on making a typical CD-Rom, according to Euromonitor. The Random House publishing

group reckons it would cost \$800,000 to make a CD-Rom version of The Good Opera Guide.

As a result, the CD-Rom market is dominated by subsidiaries of large media and entertainment groups, such as Viacom's Simon & Schuster and Random House, part of the Newhouse family's interests. Yet some of the most successful CD-Rom publishers are comparatively small specialist concerns, notably the UK's Dorling Kindersley, one of the few CD-Rom publishers that makes money.

CD-Rom production is dominated by the US, with 65 per cent of retail sales, according to Euromonitor, followed by Germany's 10 per cent, the UK at 8 per cent, 7 per cent for France, and Taiwan's 5 per cent. But China is expected to emerge as an important market.

Publishing At The Crossroads. Euromonitor, 60-61 Britton St, London EC1M 5NA. £3.950.



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NCR. Banking Solutions in the Age Of The Consumer.



كلمة من النهر

ARTS

NEW YORK
The Metropolitan Museum of Art has announced that it will host a major exhibition of contemporary Jewish art in 1997. The show, titled "Jewish Female Identity in Contemporary Art", will feature works by artists such as Lynn Leon, Barbara Loftus, and Judy Bernant. The exhibition is part of the museum's ongoing commitment to showcasing diverse cultural perspectives.

LONDON
The Tate Gallery celebrates the Grand Tour, the journey made by 18th century gentlemen in search of art and culture. The exhibition, which opens on Thursday, focuses on Italy, and includes paintings by Claude Lorraine, Canaletto, Piranesi, Joshua Reynolds and Fragonard. On Wednesday, a retrospective of the Swiss sculptor and painter Alberto Giacometti (left) comes to the Royal Academy of Arts. Sam Shepard's *For Love*, directed by Ian Brown, opens at the Donmar Warehouse on Thursday.

PARIS
At the Palais Garnier, the Paris Opera Ballet presents a fascinating quadruple bill, stunningly cast on Wednesday. Performances continue over 10 days.

BIRMINGHAM
The Romanian Simu Purcarete's much-lauded French staging of Aeschylus's *The Suppliant Women* - here named *Les Danaides* - comes to Britain this week, for two nights in Birmingham (the National Indoor Arena, Tuesday and Wednesday) and Glasgow (the Old Fruitmarket, Friday and Saturday).

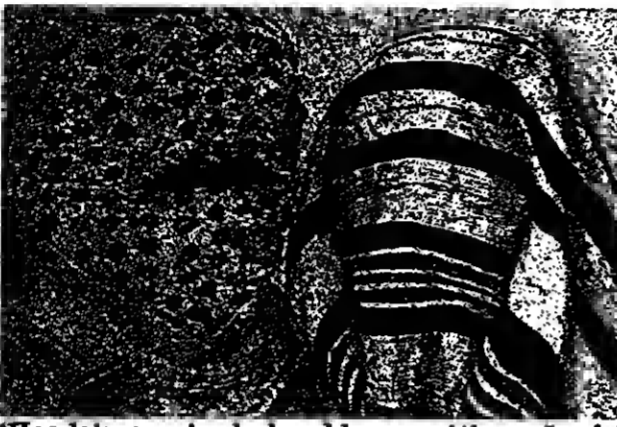
The art of identity

Jackie Wullschlager reviews contemporary Jewish women's painting, 'Rubies and Rebels', at the Barbican gallery

Rabbi to conduct lesbian wedding, screamed the hoardings from every newsagent in Hampstead as I made my way to a preview of *Rubies and Rebels*, the Barbican's excellent new exhibition of Jewish women artists. The show, subtitled "Jewish female identity in contemporary art", sounded secular, intellectual, radical - the sort of place where the feminist would be more at home than the rabbi.

So I was shocked to walk in and feel at once disorientated by a crowd of vibrant but utterly alien, archaic images. Nine-branched candelsticks, ceremonial goblets and prayer shawls; family portraits of characters like "Selim" and "Uncle Moshe" with their strained formality and exotic satin clothes; Hebrew calligraphy and depictions of Eve: what have these to do with the here and now?

This is a fascinating show because its resonances go way beyond its precise subject. We are living through an epidemic of the politics of identity, from the tragedy of the Balkans to the farce of women's studies' days on campus or in slinging men's consciousness-raising groups, but this is not another bid for separatism. For history has made the



'Heads': an Arab headdress with a Jewish prayer shawl, by Lynn Leon at the Barbican

Jewish case exceptional. As Griselda Pollock says in the catalogue, "modernity, in both its emancipatory and genocidal guises, has made being Jewish almost a paradigm of the modern condition".

Rootlessness and being forever on the move; ambiguities about the power of family life; how to accommodate the history of genocide this century; hopes for peace today; the themes of *Rubies and Rebels* are major current issues for Jews and non-Jews alike. To engage with them in a show so culturally distinct and emotionally high-pitched, is to focus on them from a new aspect - a joy of art.

There is little that is technically radical but almost every work is solidly crafted, finely painted. Some is aggressively political - Jenny Polak's wooden sculpture "Repatriate (England Still)" invites the viewer to relive the immigrant experience by walking up a makeshift jetty which incorporates a lighthouse image of a drowning mother and the statistic that at no time has immigration to Britain exceeded emigration.

Most, though, is intimate, restrained, steeped in family recollection - as close to the traditional Jewish idea of a pure woman being like a precious ruby as to rebellion. Yet cumulatively these individual visions of domestic life make us realise that the

personal is always political, defined by the historical moment.

Star of the show is a series of exquisitely constructed narrative oil paintings by Barbara Loftus called "A Confiscation of Porcelain", based on her mother's memories of a day in November 1938 when the Nazis appropriated the family Meissen and Dresden china. In "The Bridge Party", grandmother presides in bourgeois comfort; in "Hildegard Dancing" and "Mother at the Door", a young girl - Loftus's mother - is poised, looking in, on the edge of a grown-up world. The delicate paint surfaces and quietly enigmatic actions have an understated quality, a stillness, in which we seem to hear the woman catch their breath in horror; a few paintings on the porcelain is wrapped and removed.

Again and again, it is handed-on memories of displacement which give this show its lush, foreign feel. There are the hot palettes and restless brushstrokes of Anne Sassoon's portraits of her father's family, with their fezzes and Persian carpets, in Iraq in 1918. Gillian Singer's monumental panelled pulped-paper and plaster relief is composed of old photographs of relatives, tombs, buried relics, Hebrew symbols. Sarah Raphael's bold charcoal drawing "The Emigration Game" is based on a story about a game played by a pre-war Jewish family waiting to leave Prague - pick a sweet and guess from its flavour where your destination might be.

Jessica Wilke's huge canvas "Carousel", with her father falling off, herself as sexy naked rebel and her flame-haired younger sister as emblem of innocence, makes conscious reference to a classic image of outsider angst in Jewish art - Mark Gertler's 1916 "Merry Go Round". The divided self - insider/outsider, Orthodox woman/outsider artist - is well conveyed in the jittery surfaces of Judy Bernant's self-portraits such as "Browned-off Self" and "Fragmented Self", and in Julie Held's poignant "Myself Remembered", where the artist as adolescent covers agitated a looking glass shielded by a



The stillness before the storm: 'The Bridge Party' by Barbara Loftus

shawl - a reference to the Jewish tradition of covering mirrors during periods of mourning.

Starkest double portrait - and standing out against the rich nostalgic colours all around - is "Heads", Lynn Leon's pen and ink drawing of an Arab wearing the traditional keffiyeh head-dress and a Jew wrapped in the tallith, the prayer shawl worn at the synagogue.

The two covered heads just incline together, in a reference to Magritte's painting "Lovers". Exhibited recently in Haifa, "Heads" caused a furore among right-wing extremists who condemned it as blasphemous. Yet it is more than a political statement or even a plea for communication - it has something of Magritte's unsettling quality, the idea that identities can never be fixed, which goes to the heart of this show.

At the Barbican Centre, October 8 - November 10.

Opera/Andrew Clark

Bare Mozart

and a regal chair are the only props. The stage is shrouded in black, so that our attention is unerringly focused on the principals and their internalised passions.

Dressed in red robes, the Cretan king and his entourage may be classical archetypes, but McVicar's flawless choreography - aided by Ace McCarron's spotlighting - uncovers emotions that concern us all. The chorus, by contrast, resembles a traditional Greek community of our time, unwitting participant in a tragedy beyond its control. Within this frame, the staging keeps an imposing balance between ancient and modern, public and private.

Theatre/Ian Shuttleworth

Funny ha ha

addicted to booze and tranquillisers, but in trying to convey both this and the character's comedic spark, Simon finds himself walking two paths at once. Similarly, Geoe Wilder's performance deploys all the humorous devices that one would expect from such a past master, but seems, sadly, to be running on empty; one feels nothing of the spirit of Prince, Caesar or even Wilder in these antics.

As Caesar's (and thus Prince's) heyday coincided with the zenith of McCarthyite frenzy, numerous references are made to the House Un-American Activities Committee witch-hunts, among other events in the world at large. Simon

Opera/Andrew Clark

Timeless family affair

Scottish Opera's cast and chorus are well matched to the staging; the singing may be small-scale, but it is well rehearsed and integrated - for which Antoni Ros Marbà, conducting with unmanicured fluency, can take credit.

Thomas Randle's *Idomeneo* makes a strong case for the performance, holding the stage with stylish dignity and singing with heroic, if occasionally hard-pressed timbre. Despite his cropped hair and unheroic choice, Toby Spence justifies the title of a tenor Idamante, growing in stature as the performance develops, while Peter Hoare proves worthy of Arctas's two arias. Lisa Milne is the touching Ili; Claire Ratter's Elettra brings genuine softness to her Act 2 aria and cackling spite to the finale. Even at three and a half hours, this *Idomeneo* is not a moment too long.

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17.30 Financial Times Business Tonight

CNBC:

08.30 Squawk Box

10.00 European Money Wheel

18.00 Financial Times Business Tonight

INTERNATIONAL ARTS GUIDE

AMSTERDAM
CONCERT
Concertgebouw
Tel: 31-20-6718345
● Koninklijk Concertgebouworkest: with conductor Riccardo Chailly, soprano Luba Orgonassova, alto Nathalie Stutzmann, tenor Hans Peter Blochwitz, bass Kurt Moll and the Groot Omroepkoor perform Choral-Variations by Stravinsky/J.S. Bach and Bruckner's Mass No.3 in F minor, 8.15pm; Oct 9, 10, 11

ANTWERP
EXHIBITION
Museum van Hedendaagse Kunst
Tel: 32-3-2385960
● Forms into Time: a survey of the sculpture of David Nash; this exhibition features a selection of key works by the English sculptor David Nash (b. 1945), who works in the tradition of such artists as Henry Moore, Barbara Hepworth, Richard Long, Hamish Fulton and

Hamilton Finlay. The relationship between nature and culture plays an important role in his work; to Nov 3

BERLIN
EXHIBITION
Alte Nationalgalerie
Tel: 49-30-2035550
● Meret op van Gogh. Hugo von Tschudi und der Kampf um die Moderne: exhibition on the occasion of the 100th anniversary of the appointment of Hugo von Tschudi as director of the Alte Nationalgalerie. Main theme of the exhibition is his leading role in the introduction of "modern" French Impressionist art in Germany. The display includes works of French art that were acquired in those days by the Alte Nationalgalerie and other German museums and collectors; to Jan 6

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Oedipus: by Enescu. Conducted by Lawrence Foster and performed by the Deutsche Oper Berlin. Soloists include Karan Armstrong, Kaja Boris and Lenus Carlson; 7.30pm; Oct 11

BRUSSELS
EXHIBITION
Musées Royaux d'Art et d'Histoire
Tel: 32-2-7417211
● Boeddha's van Siam, Kunstschaten uit het koninkrijk Thailand: exhibition on the occasion of the 50th anniversary of the reign of His Majesty King Bhumibol Adulyadej of Thailand.

The display features approximately 125 objects, dating from the second millennium BC to the 19th century AD. The exhibits, the majority of which come from the collections of temples and national museums of Thailand, include stone and bronze sculptures, gold jewellery, paintings, masks, puppets, ceramics and lacquer; from Oct 11 to Feb 16

THEATRE
Koninklijke Vlaamse Schouwburg
Tel: 32-2-2194944
● Orestes: by Aeschylus (in Dutch). Directed by Franz Marjnen and performed by the Koninklijke Vlaamse Schouwburg. The cast includes Bert André, Sandrine André and Sjarel Brancaerts; 7pm; Oct 12

COLOGNE
EXHIBITION
Museum Ludwig
Tel: 49-221-2212379
● Lewis Hine - Die Kamera als Zeuge: exhibition of photographs by the American sociologist Lewis Wickes Hine (1874-1940). Among the works on display are his photographs of American immigrants on Ellis Island, child labour, and the construction of the Empire State Building; to Nov 24

COPENHAGEN
CONCERT
Tivoli Concert Hall
Tel: 45-33 15 10 01
● Finnish Radio Symphony Orchestra: with conductor Sakari

Oramo and soloist Inger Dam Jensen perform works by Merilainen and Strauss. Part of the European Radio Symphony Festival; 8pm; Oct 12

FRANKFURT AM MAIN
CONCERT
Jahrhunderthalle Hoechst
Tel: 49-69-3801240
● Bamberger Symphoniker: with conductor Marcello Viotti, soprano Juliane Banse and mezzo-soprano Gabriele Sima perform works by Britten, Mozart/ Strauss and R. Schumann; 8pm; Oct 11

HANOVER
EXHIBITION
Sprengel Museum
Tel: 49-511-1683875
● Europas frühe Wilde - Expressionisten und Fauves: this exhibition of works on paper brings together works by German Expressionists from the collection of the Sprengel Museum and works by French Fauvists, including Derain, Dufy, Marquet and Matisse, from the collection of the Museum of Modern Art in New York; to Nov 17

LONDON
CONCERT
Barbican Hall
Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Kent Nagano and viola-player Yuri Bashmet perform works by Berlioz and Stravinsky;

7.30pm; Oct 9
OPERA
Royal Opera House - Covent Garden
Tel: 44-171-2129234
● Götterdämmerung: by Wagner. Conducted by Bernard Haitink and performed by the Royal Opera. Soloists include Vivian Denzey, Ann Murray and Gillian Webster; 4pm; Oct 12

LOS ANGELES
DANCE
Dorothy Chandler Pavilion
Tel: 1-213-972-8001
● Nur Du (Only You): a choreography by Pina Bausch, performed by the Pina Bausch Tanztheater Wuppertal; 8pm; Oct 10, 11, 12, 13 (2pm)

NEW YORK
CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Semyon Bychkov and violinist Vadim Repin perform works by Kodály, Bartók, Ravel and Strauss; 8pm; Oct 10, 12 (2pm)

PARIS
DANCE
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1-42 86 50 22
● Ballet de l'Opéra National de Paris: perform Paul Taylor's *Aurèle* to music by Handel, Jerome Robbins' *A Suite of Dances* to music by J.S. Bach, Angelin Preljocaj's *Annunciation*

to music by Roy/Vivaldi and Roland Petit's *Le Jeune Homme et la Mort* to music by J.S. Bach; 7.30pm; Oct 9

EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● Francis Bacon: retrospective exhibition devoted to the English painter (1909-1992). The display features 86 works - 79 paintings and seven works on paper - from public and private collections, giving an overview of Bacon's artistic career; to Oct 14

VIENNA
OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Don Giovanni: by Mozart. Conducted by Asher Fisch, performed by the Wiener Staatsoper. Soloists include Adrianna Pieczonka, Angelika Kirchschlager and Ferruccio Furlanetto; 8.30pm; Oct 9

WASHINGTON
CONCERT
Concert Hall
Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Leonard Slatkin and percussionist Evelyn Glennie perform works by Schubert, Schwanter and Prokofiev; 8.30pm; Oct 10, 11, 12

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Michael Prowse • America

Gomorrhah beckons

An influential new book argues for censorship and a revival of religion to reverse the decline of American culture

The lyrics of popular songs say something about the health of a nation's culture. A typical offering from the 1980s is "Horny" by Snoop Doggy Dogg, the "gangsta rap" singer:

"I called you up for some sexual healing/I'm callin' again so let me come get it/Bring the lotion so I can rub you/Assume the position so I can fuck you."

The example is from *Slouching Towards Gomorrah* (HarperCollins, New York, \$25), Robert Bork's new book on American cultural decline. Mr Bork will probably always be best remembered as the Supreme Court justice who never was. A judge with impeccable record, he was nominated for the nation's highest court by President Ronald Reagan in 1982. But the Democratic Senate rejected him after a bitter confirmation battle.

Mr Bork has not lost his talent for controversy. His latest book is a shriek of anger at what America has become. He sees rap music, violent and pornographic films and videos, the O.J. Simpson trial, rampant feminism, political correctness, out-of-wedlock births, crack cocaine and much else as symptoms of a cultural and moral decline that is assuming terrifying proportions. He fears destructive social forces could spiral out of control, resulting in a high-tech version of the Dark Ages.

The book starts with a pungent critique of the "counter-culture" philosophy of the 1960s. He laments contempt not just on the intellectually vacuous student leaders who attacked bourgeois culture without offering any coherent alternative - but on the glib-tongued university deans who lacked the moral authority to face down these overprivileged children. That awful decade is still with us, he warns, because the protesters of those years have

reached early middle age - and positions of power - with their ideological baggage largely intact. He sees Bill and Hillary Clinton as the very personification of an immoral and ill-disciplined generation.

The 1980s, however, merely accelerated adverse trends that had deeper roots. Like critics on the left, Mr Bork believes the failings of modern society are the result of liberal principles pushed too far. He admires the "classical liberalism" of the 19th century, but maintains it bore little resemblance to "modern liberalism" because the drive for personal liberty and equality was tempered by opposing authorities and traditions, principally religion. These have collapsed and social life is distorted by a strange combination of radical egalitarianism on the one hand and radical individualism on the other.

Radical egalitarianism, he argues, manifests itself in such irrational dogmas as progressive income tax (a product of pure envy) and racial quotas, which fan tensions between ethnic groups. And it lies behind forces - feminism and multiculturalism - that are destroying standards in US

higher education. In their fruitless attempt to deny sex-role differences, he argues, extreme feminists are even attacking logic and rationality as suspect male inventions. And he is horrified by the onward march of multiculturalism - in particular the doctrine that the western heritage is no better, and in many ways worse, than other cultures. The celebration of "diversity" in schools and colleges is wrecking the nation's capacity to assimilate racial groups and virtually guarantees it will experience the strife endemic in other ethnically divided societies. He sees radical individualism as equally pernicious and charges it with creating a society of alienated, restless individuals who crave instant gratification of the basest kinds. "We now know that the founders of liberalism were wrong," he writes. "Unconstrained human nature will seek degeneracy often enough to create a disorderly, hedonistic and dangerous society."

The critique is alarming and in some respects justified. But what is to be done? How is America's cultural decline to be reversed? Mr Bork's most shocking

proposal is to argue explicitly for censorship. In fact, his arguments are mostly bare assertions. But they carry a punch because he lacks the inhibitions of the typical academic. He is not afraid, for example, to declare that a plastic puddle of vomit is not art, whatever museums may think.

Nor will he accept dogmas about freedom of speech. Would it really be infringed, he asks, if songs celebrating the ripping of vaginas and the licking of anuses were banned? Those who are offended, he claims, cannot simply stop looking or listening because the perpetrators impose serious "externalities" on the rest of society: the moral environment is degraded for everyone.

Looking forward, he sees the only ground for hope in a revival of religion. Capitalism and democracy, he argues, cannot remain vibrant without a firm moral foundation. It was no accident that cultural decline in the US coincided with the ebbing influence of religion - impressive figures on church membership mean nothing, he says, because Americans' supposed religious beliefs no longer influence their conduct. He accepts that morality, in principle, is feasible without religion, but denies it is a practicable possibility for the great mass of humanity. "For most people, only revealed religion can supply the premises from which the prescriptions of morality can be deduced."

And what if the growing strength of conservative religious groups proves short-lived? The wisest strategy, he advises, is that of monks in the Dark Ages: find a sanctuary. Live in a secure, gated community and educate your children at home to prevent them being culturally polluted. And then watch the rest of the world burn.



Bork: rejected for the Supreme Court - but not silenced

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 1UL

We are keen to encourage letters from readers around the world. Letters may be sent to "Letters to the Editor", e-mail: letters.editor@ft.com. Published letters are also available on the Internet. Translations may be available for letters written in the main languages.

Penalty of wage restraint within Emu

From Mr Paul Donovan

Sir, Martin Wolf's column on UK participation in the European monetary union ("The danger of ditching", October 1) is a masterpiece of the problems associated with too broad a union. Beyond a core six countries there is not the real economic convergence necessary for participants to share a single interest rate and monetary policy. In the long run, labour mobility across international borders may resolve the problems, but that is so far into the future as to be redundant.

The fact is that, in economic terms, an Emu extending beyond the core group of six economies will

not work. As Mr Wolf points out, unemployment pockets (with national identities) will persist; nationalist politicians will exploit them to rail against the European central bank, and possibly even the EU as a whole.

What Mr Wolf did not mention in his analysis was that in a broad Emu it is the UK that would suffer most. It seems safe to assume the central bank will conduct its monetary policy with the overriding aim of lowering inflation. The highest inflation regions will thus dictate the euro interest rate.

Given the lack of labour mobility, in a world of common monetary and

neutered fiscal policy, regional inflation pressures will be determined largely by wage settlements - a function of the labour market structures of the component states. In such an instance the EU, where labour market reforms are years ahead of its continental partners, is likely to have lower wage pressures. In other words, the UK will permanently experience higher interest rates than it should, because it has lower wage pressures than its partners in Emu.

I am by no means a Eurosceptic. Core Emu, with converged economies, brings limited economic advantages and significant political

gains. My fear is that enlarging the monetary union risks penalising economies that practice wage restraint. Further, in a disaster scenario of rising nationalist tensions, too broad an Emu could ultimately bring down the EU. In my view the choice for UK is remaining in the EU but outside Emu, or joining Emu without regard to the economic consequences and so jeopardising British membership of the EU itself.

Paul Donovan,
29 Essex Road,
Leighton,
London E10 6BP,
UK

A different dimension

From Mr Aidan Foster-Carter

Sir, My 1 add a footnote to Michael Wrong's piece on Tanzania ("Tanzania's egalitarian dream now nightmare of corruption", October 4). The survival of socialist attitudes there might have a linguistic dimension.

In the early 1970s, the preferred word for "capitalist" in Kiswahili was *kape*, which meant parasite (literally, a cattle tick). This usage offended us western Marxist groups with whom Dar es Salaam was then awash, since it elided the progressive historical role of accumulation which the bourgeoisie must be allowed to play - so that when the time came we would have something worth expropriating.

I don't know if this term is still in use, but if it is then a Confucian "rectification of names" might be worth considering.

Aidan Foster-Carter,
(senior lecturer in sociology,
University of Leeds),
17 Birklands Road,
Shipley,
W Yorkshire, UK

When inflation can be good for you

From Mr Roland Michelitsch

Sir, Inflation can undoubtedly be a real problem, particularly cases of hyperinflation experienced in some Latin American countries and more recently in Russia. One might further agree with Michael Wrong ("Inflation apologists", September 30) that one should not assume people are permanently irrational and will be no less willing to accept a wage cut in a zero inflation environment than an economically equivalent failure to increase wages in the with inflation. Nevertheless, there are some good reasons why inflation might be beneficial to help

the labour market find its equilibrium.

The most important reason for unemployment is likely to be minimum wage regulation and the recent increase in the minimum wage in the US is prone to increase the unemployment rate. Minimum wages are usually either not indexed to inflation or reflect underlying inflation only imperfectly. Inflation thus helps "alleviate" the effects of minimum wage regulation over time and will help reduce unemployment caused by it.

Another reason why inflation (at very low levels) could be beneficial is that there might be at least some

temporary effects of wage illusion. A 4 per cent wage increase with 6 per cent inflation is not precisely equivalent to a 2 per cent wage increase with 4 per cent inflation - even though they are close: the former is a 1.58 per cent reduction in real terms, the latter a reduction of 1.92 per cent. If even an author in the FT believes it to be a 2 per cent decrease, it seems not too far-fetched that the average worker might make a similar mistake.

Roland Michelitsch,
5415 Nevada Avenue
Northwest,
Washington DC 20015,
US

Tunnel not under Temple Mount

From Mr A.D. Marks

Sir, I was dismayed to read in your September 28/29 weekend edition the two reports by David Gardner about the opening to the Hasmonaean tunnel located in the Old City of Jerusalem in the context of the recent violence that has erupted here ("Arab world will find it hard to sit on its hands" and in Weekend FT

"Eternal divide in the thrice Holy City").

Both echoed the Palestinian claims that the tunnel opening went under Temple Mount - which is firstly the holiest Jewish place and also one of the three Moslem holy places - thus spreading the falsehood that somehow a Moslem holy place had been desecrated when nothing

of the sort had taken place. The damage you have caused is enormous, since the fires of Moslem hatred against not only Israelis but Jews everywhere.

A.D. Marks,
Top Office Centre,
PO Box 2265,
91022 Jerusalem,
Israel

LEGAL NOTICES

NOTICE OF DISTRIBUTIONS TO HOLDERS OF 11-1/2% SERIES A BONDS AND SERIES B BONDS, EACH DUE MARCH 15, 2002, WITH AN ORIGINAL PRINCIPAL AMOUNT OF U.S. \$30,525,000 AND U.S. \$5,797,500, RESPECTIVELY, ISSUED BY MLH REALTY INVESTMENTS VI N.V.

On October 11, 1996, MLH Realty Investments VI (A) N.V. Inc. (the "Subsidiary"), having assumed the obligations of its parent MLH Realty Investments VI N.V. (the "Issuer") on the hereinafter described Series A Bonds and Series B Bonds will, through a certain paying agent, make available to the holders on such date of its 11-1/2% Series A Bonds and Series B Bonds, each due March 15, 2002 with an original principal amount of U.S. \$30,525,000 and U.S. \$5,797,500, respectively (together, the "Bonds"), a payment of accrued interest and a partial payment of principal on such Bonds. Each holder of the Bonds on such date will be entitled to receive \$48.88 (which represents all accrued but unpaid interest on the Bonds through such date) and a partial payment of principal of \$69.12 for each \$750 original principal amount of the Bonds. This payment to the Bondholders represents a distribution received by the Subsidiary on its units representing limited partnership interests in MLH Income Realty Partnership VI ("MLHIRP VI") which has sold its investments in Santa Paula Shopping Center, Loupou Shopping Center, The Macy's Building, Fullerton Business Center South and the land under 1801 Century Park East. A description of these sales is provided in MLHIRP VI's Annual Report for the fiscal year ended November 30, 1995, and Interim Reports to investors for the fiscal quarters ended February 29, 1996 and May 31, 1996. Such reports may be obtained upon request from Morgan Guaranty Trust Company of New York ("Morgan Guaranty") at the address indicated below. In addition, the consolidated financial statements of the Issuer and the Subsidiary for the year ended November 30, 1995 and for the semi-annual period ended May 31, 1996, are also available from Morgan Guaranty upon request.

Please note that MLHIRP VI is contemplating the change of its fiscal year end from November 30 to December 31. If the fiscal year end of MLHIRP VI changes, the Annual Report and Interim Reports for MLHIRP VI will be available one month later than usual. The fiscal year end of the Issuer may likewise be changed to December 31 (see the Notice of Special General Meeting below). If the fiscal year end of the Issuer changes, the fiscal year end of the Subsidiary will be changed to December 31 as well.

In addition, it is expected that the above-described distribution of interest and principal payments will be the last distribution bondholders will receive until Treasury Island, the last real estate investment property of MLHIRP VI, is sold.

In order to receive the above interest and principal payments due October 11, 1996, each Bondholder will be required to deliver either to Morgan Guaranty at 60 Victoria Embankment, London EC4A 3DF, England, or with respect to the Series A Bonds only, to Kredietbank S.A. Luxembourg, 43 Boulevard Royal, L-2955 Luxembourg, Interest Coupon Number 19 for each of the Bonds, which covers the semi-annual interest payment, and Principal Coupon Number 2 for each of the Bonds, which covers the partial payment of principal. If you have not already done so, please submit these coupons as described above.

By: MLH Realty Investments VI (A) N.V. Inc.

Dated: October 7, 1996

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Special General Meeting of Shareholders of MLH Realty Investments VI N.V. (the "Company") is hereby given. The meeting is to take place at 9:30 a.m. on October 31, 1996, at the registered office of the Company, 14 John B. Gonszaweg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA Special General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

- Proposal to amend the Articles of Incorporation in such a manner that the bookyear of the Company will run from December 1, 1995 up to and including December 31, 1996 and thereafter the fiscal year of the Company will end on December 31 of each year for the 12 month period there ended. The current year to end December 31, 1996.
- Proposal to authorize each and every lawyer practicing with the offices of civil law notary Mr. M.L. Alexander to apply to the Ministry of Justice for the declaration of no-objection to the draft deed to amend the Articles of Incorporation as indicated above, to make whatever changes to such draft as the Minister may require, to execute the deed of amendment of the Articles of Incorporation and furthermore to do all and everything that the attorney may deem useful or necessary in connection with the foregoing.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvomante Corporation N.V., authorizing Yvomante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the Special General Meeting of Shareholders or by written notice to Yvomante Corporation N.V., 14 John B. Gonszaweg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvomante Corporation N.V. as to the voting of their shares by writing to Yvomante Corporation N.V. at the above address. If no voting instructions are received by Yvomante Corporation N.V., it will vote the shares to approve and/or authorize item 1 and 2.

MLH REALTY INVESTMENTS VI N.V.
Messieurs Trust (Curaçao) N.V.
Managing Director

The employee rights challenge facing UK employers

From Mr Roger Lyons

Sir, With UK Labour leader Tony Blair's commitment to legislate on employment rights early on in a new Labour government, I wonder if Britain's employers are ready for the challenge? The lack of fair rights at work means that employees of bad employers have little choice. If that employer sacks you unfairly, you have no protection unless you have two years' service. If you want to be represented by a union, that employer

can ignore your wishes. He can even - legally - pay you less because you are a union member. There has to be a better way.

Unions understand as well as anyone else that the world economy is changing as is the world of work. We need to be flexible to face the challenge of increasing competitiveness. And our members want to work for successful companies so they can share in prosperity and security. They don't need to be hinged into submission to be productive

and they certainly don't need the climate of fear that pervades too many workplaces today. What they want is investment in training, help to develop their skills and fair rights at work which should apply to every worker, regardless of their form of employment, hours they work or length of service. There's nothing new about this. Forty-one of the 50 main employment rights already apply from the start of employment. Labour's review of unfair dismissal law, in the light of

the anticipated House of Lords judgment in the Seymour Smith case, must acknowledge that all workers are entitled to fair treatment allowing for genuine probationary periods. The challenge for employers and employees will be to help put those rights into place so that we can all get on with business.

Roger Lyons,
general secretary,
MSF Union,
33-37 Moreland Street,
London EC1V 8BB, UK

Personal View • Peter Robinson

Barely a pass on training

The impact of the UK's new system of vocational qualifications has been mixed

& For more than a century, there has been a widespread perception that Britain lagged behind its industrial competitors in skills training. So when the government began planning its new system of vocational qualifications in 1988, there were high hopes of a substantial increase in work-oriented education and training.

The first step was the introduction in 1988 of National Vocational Qualifications, designed to offer training to a much higher proportion of the workforce and rationalise the existing patchwork of courses and awards. In 1992, General National Vocational Qualifications were introduced for people still in full-time education, offering an alternative to the academic courses in schools and further education colleges.

Several government reports have broadly endorsed these reforms in the past year (while drawing attention to some shortcomings). However, there has been a lack of research on the impact of these qualifications - and a new study published today by the Centre for Economic Performance

at the London School of Economics casts doubt on official optimism.

Claims by the National Council for Vocational Qualifications, the quango set up to develop the new system, that over 3m people are working towards NVQs, for example, are grossly exaggerated. Figures from the quarterly Labour Force Survey produced by the government suggest that only about 660,000 people were working towards NVQs in spring 1996.

Growth in uptake of NVQs has been slowing since 1991-92 and only 2 per cent of employees were working towards NVQs in spring 1996. This is far short of the national target set in 1991 for 50 per cent of the workforce to be working towards the new qualifications by 1996 - a target that has now been dropped.

There is also no evidence that the new vocational qualifications have led to any increase in the training available to individuals. Before the introduction of NVQs and GNVQs, there was already a wide range of traditional vocational qualifications which were attracting rising numbers.

There has been some growth in the number of vocational qualifications awarded since 1990-91 - though only at lower levels. The absence of growth in awards at higher levels is a concern. NVQs are heavily concentrated in the clerical, secretarial, sales and personal

service occupations - and mainly in sectors not heavily exposed to international competition. They are under-represented in the higher managerial, professional and technical occupations, and in the internationally traded manufacturing and business and financial services sectors of the economy.

As for GNVQs, there has been no increase in net enrolment on post-16 courses in further education since their introduction. GNVQ enrolments have simply displaced enrolments on courses leading to other qualifications.

More worrying, however, is the finding that successful completion rates appear to be significantly lower on courses leading to GNVQs than on courses leading to traditional vocational and academic qualifications. The overall impact of GNVQs is thus to reduce the chances that the government will achieve its national targets for education and training.

And while GNVQs have quickly become the most popular form of vocational qualification for many in the 16 to 19 age group continue to prefer traditional qualifications. One reason for this is that they are particularly suited for part-time study which GNVQs do not readily lend themselves to. Thus the new system has failed to rationalise the structure of vocational qualifications. The number of traditional vocational qualifications awarded in

1994-95 was still significantly higher than that for NVQs and GNVQs by a wide margin. Individuals and employers now face a wider range of qualifications than was the case before the new system was introduced.

It is not all gloom, however. There has been considerable improvement in other aspects of the UK education and training system since 1988. Staying-on rates at full-time education after 16 rose significantly between 1988 and 1994, and the number going on to higher education has doubled.

There are also indications that employers are providing training to a higher proportion of their employees. Some employers in some sectors of the economy have found NVQs useful. Others prefer to stick with the older qualifications.

However, there remain concerns over GNVQs which have not led to any increased enrolment in full-time education and which have produced lower successful completion rates than the qualifications they have displaced. GNVQs appear to represent a step back rather than a step forward.

The author is research officer at the Centre for Economic Performance. His recent book, *Rhetoric and Reality: Britain's new vocational qualifications*, is available from the Centre, London School of Economics, Houghton Street, WC2A 2AE, UK.

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday October 7 1996

Too many Maastrichts

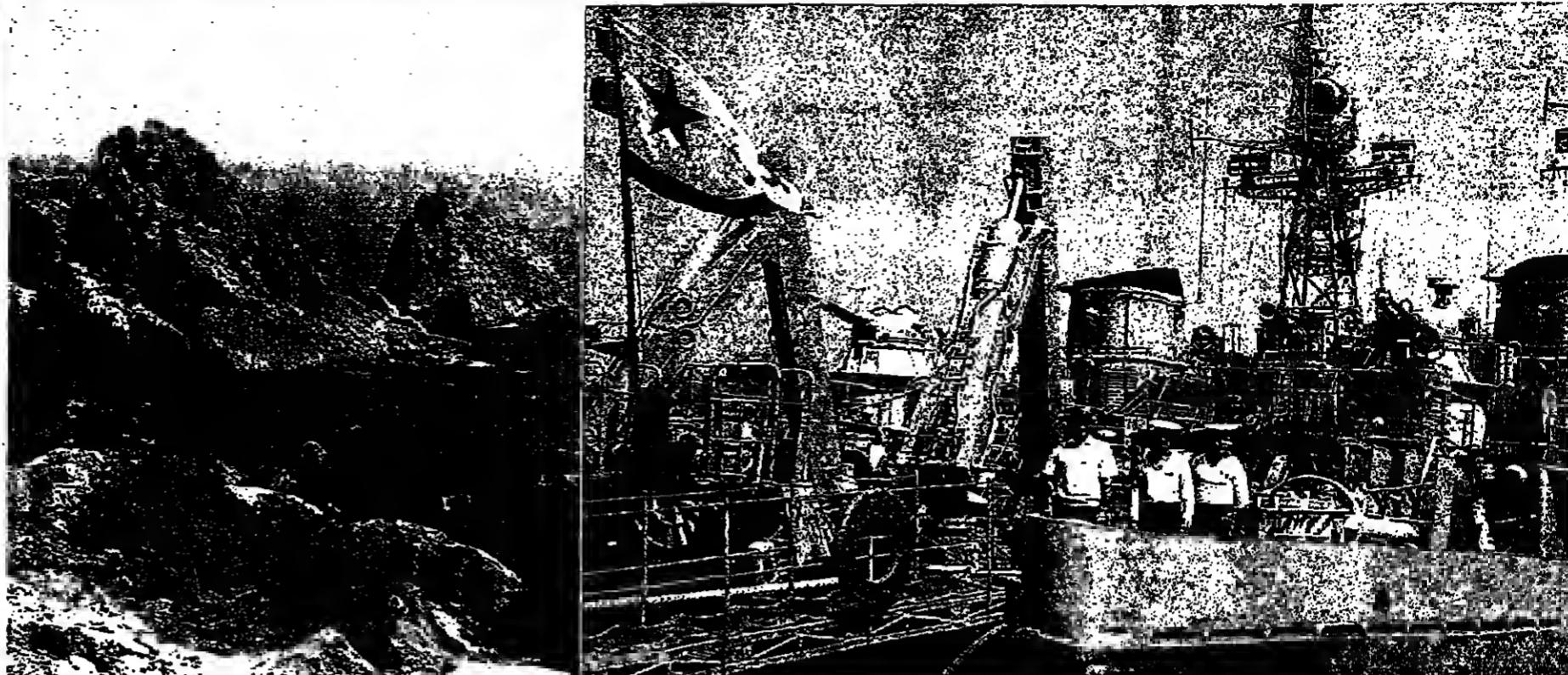
The French president got what he wanted at Saturday's special EU summit in Dublin: a commitment to finish the current intergovernmental conference known as the IGC, or Maastricht Two, by the middle of next year, and a narrowing of the agenda to make that deadline more realistic.
Mr Chirac's sense of urgency stems mainly from his anxiety to get the revised treaty ratified before it becomes an issue in the French parliamentary elections of March 1998. But it is shared by others who are eager to press ahead with enlargement negotiations (due to start in months after the conference ends) and who fear that prolonging the conference may have disastrous knock-on effects on the rest of the EU's crowded calendar for the next three years, including the launch of the single currency in 1999.

Seaside blues

For all Labour's huge lead in the opinion polls and the success of Mr Tony Blair's Blackpool conference, the Conservatives still have a chance to make a fight of the general election. The voters' enthusiasm for Mr Blair is tinged with visible unease as to whether Labour will be as self-disciplined in government as it has contrived to be in opposition.
The economy should also be on the Conservatives' side. A responsible fiscal policy would rule out tax cuts in next month's Budget, but the overall performance of the economy is better than for many years. So far the recovery has put money into people's pockets without reigniting inflation. There is a serious debate to be had too about the relative merits of Mr Blair's advocacy of activist government and Mr Major's prospectus for a smaller state.

Cardoso's bet

On the reforms that would place government finances on a stable footing and thereby assure long-term success for his anti-inflation plan.
Last year's budget deficit of 5 per cent of gross domestic product was described as "scary" by the World Bank, while this year's expected deficit is also provoking nervousness among some investors. The point is not that a Mexico-style financial crisis is imminent, but that the chances are increased that internal and external confidence in the Real Plan will collapse.
There are risks in Mr Cardoso's bid for re-election. If he managed to secure the necessary constitutional change, his government would emerge significantly stronger to continue the anti-inflation struggle and, with the potential reward of another term, have strong incentives to succeed. Defeat, on the other hand, would risk his becoming a premature lame duck, having wasted political capital on an unsuccessful attempt to secure re-election.
Although a gamble, a re-election bid would be worthwhile. Brazil's four-year presidential terms are short, and there is a case for allowing a successive term in office, as in the US. Moreover, despite the disappointment so far, Mr Cardoso remains the best option in sight to guarantee a conclusive victory against inflation.



Change in Crimea: picturesque Yalta (left) is attracting investors, while Sevastopol hopes to rely less on the Black Sea Fleet (right)

A change of priorities

Conflict between Russia and Ukraine over Crimea is now less likely as economic reform displaces threats of secession, says Matthew Kaminski

Symionov will bring Sevastopol to Russia. This campaign posters read. Mr Viktor Symionov, mayoral candidate, last year found the slogan popular among voters in his successful campaign to be mayor of the city, which is in the Crimea region of Ukraine where Russians dominate.
His electoral triumph heightened tensions in Crimea, and echoed similarly veiled secessionist calls by other local leaders. The US Central Intelligence Agency warned that ethnic unrest in the region, transferred from Russia to Ukraine in 1954, could plunge the two countries into war.

Russian, but the ethnic divisions are blurred. Russians and Ukrainians have the same religion, speak a similar language and share a common history.
A majority of Crimea's Russians backed Ukraine's independence in a 1991 referendum. But their support ebbed quickly when chronic energy shortages and falling wages made life even harder than in Russia.
This summer, in an effort to retain public support, the Crimean government launched an economic reform programme which includes the sale of small shops and larger factories owned by the state. The International Finance Corporation, a private sector arm of the World Bank, which has led privatisation efforts in Russia and Ukraine, is organising the auctions.

The region might also be rich in oil, with offshore reserves still to be exploited. JKK Oil & Gas, a UK company, has invested \$6m in a local joint venture; Pecten, a US subsidiary of Royal Dutch Shell, recently put in a bid for a Black Sea shelf site.
However, Crimea's infrastructure desperately needs improvement. The resorts and hotels meet only miserly Soviet standards of service and comfort. The telephone system is primitive. And investors complain bitterly of bureaucratic delays, corruption and organised crime.

Most of the economy is still connected with military production, which accounts for 60 per cent of Crimea's gross domestic product and employs two out of five people. But a report from the United Nations says Crimea's contribution to the Soviet military machine is in industries with strong potential for conversion to civilian production - mainly shipbuilding, chemicals and light industry. All these, the report adds, have a future in a market economy.
Some companies have already found new clients. The Sevastopol Shipbuilding Factory, previously reserved for the 300-vessel Black Sea fleet, now has government permission to repair and service foreign commercial ships. Two Greek and a Russian vessel are already in port taking advantage of the cheap prices.

Russia and Ukraine, which have Europe's two biggest armies. Talks on the division of the Black Sea fleet between the two countries have dragged on without resolution for five years. Moscow still wants exclusive control in Sevastopol, the fleet headquarters. It is suspicious of attempts to develop the local economy away from military purposes.
Mr Andrei Grachev, the Russian fleet spokesman in Sevastopol, says Russia opposes privatising the military-industrial companies, introducing conversion programmes or setting up a free trade zone. "These factories must work for the military," he says. "Tell me if you have a free economic zone in Norfolk, Virginia, Plymouth in England, or any large base."

Troublesome return of the Tatars

Crimea's attempts at economic development must also accommodate its serious refugee problem. The Crimean Tatars who were deported to central Asia by Stalin in 1944 have been moving back to the peninsula where they had lived since the 19th century.
About 250,000 refugees live in shanty towns. Most live in crowded, primitive conditions: only 23 per cent have electricity, 5 per cent running water and hardly any have indoor sewerage.
Half the Tatars are unemployed. Their frustration led to riots last year, after two Tatar traders were killed by Russian racketeers.
Ukraine's strained budget provides minimal resettlement assistance. The UN last year launched a \$15m plan to develop small enterprises and improve poor health facilities in Tatar communities, but improvements have been slow.

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Hacked off Hashimoto

Ryutaro Hashimoto, Japan's prime minister, is probably heartily sick and tired of the Internet. For mysterious messages, apparently in his name, have been popping up on the home pages set up by a Hong Kong lobby group protesting against Japan's ownership of a group of uninhabited rocks, known as the Senkaku Islands, in the East China sea.
The announcements warn that Japan will take military action against any foreign ship entering national waters around the islands. An obvious spoof, they have been vigorously disowned by Senroku Kajiyama, chief spokesman for Hashimoto's government.
But at the same time, it's all painfully close to the bone. Hashimoto is allowing himself to show a judicious amount of nationalism at home, in order to attract the support of a small but influential right-wing minority in a general election on October 20.
Simultaneously he's doing his best to tone things down abroad, with an eye on avoiding offending the Chinese. In that spirit, the government ordered the police to launch a symbolic raid on the offices of a right-wing group that sparked

Cost of living

On the slippery slope of wasted public money, few can demonstrate such ineffective frakes as the French, as today's latest annual report of the Cour des comptes - the watchdog guarding public expenditure - demonstrates.
Among the catalogue of spendthriftery one item stands out - an aircraft landing strip - the armed forces decided to build in their highly strategic location for Europeans: Antarctica. It took seven years to construct, at a cost FF110m. It was built right next to important wildlife reserves; weather conditions meant it could only be used during the nesting season of October to January. Within months of its completion in 1983 - and before it had ever been used - a storm partially destroyed the runway, and the authorities decided it was not worth repairing.
Intriguingly one public sector body conveniently escapes any lambasting in the report: the Cour des comptes itself. After all, it has taken two years to publish the grisly details of the Antarctic airport.
There again, that represents a significant improvement on its

Party plonker

In the UK, Automotive Leasing, owned by Dutch banking group ABN AMRO, has been fast off the mark. It has contacted suppliers about its Christmas party - not to invite them, but to ask them to pay for it.
Marty Lewis, the company's technical services manager, has written to them, acknowledging they may be unable to decide who in his department should get gifts and how much should be spent. Lewis' solution is that his team goes on a day-trip to France, with suppliers helping "sponsor" it: the coach will cost £200, lunch £250 and about £200 for drinks. Or they can give staff a "goodie bag", stuffed with diaries, pens and such like.
Lewis says all his party-goers will be told which companies have coughed up, but he goes out of his way to emphasise that trading relationships will not be affected if some decide not to take him up on his generous offer. Very decent, I'm sure.

100 years ago

Submarine Telegraphy
We referred some time ago to the movement that was being set on foot with the object of erecting an international memorial commemorating the invention of submarine telegraphy. The committee formed to carry out the proposal held its first meeting yesterday under the presidency of the Earl of Selborne, who in the course of a capital speech pointed out that, while the first cable in the English Channel was not laid until 1851, there are now 182,000 miles of submarine cable.
50 years ago
Nuremberg Trial
Much solemn nonsense has been talked about the dignity of the Nuremberg trial. Yet with all its apparatus of arc-lights and headphones it was more like a photographer's paradise or a rodeo than a court of justice. The slippery Schacht was acquitted. It is a curious business, therefore, that the case against him presented by the prosecution could hardly have been stronger. Funk, a meagre man if ever there was one, is sent to gaol for 20 years. And so is Speer, a technician and industrialist who rose to ministerial power only late in the war. Yet one of the chief contrivers of the Nazi system goes free.

"The key to success is your passion." KAZUO INAMORI, founder of Kyocera

FINANCIAL TIMES

Monday October 7 1996

Brossette Sanitaire - Chauffage - Canalisation WOLSE

Vietnam's army makes a lucky strike in leisure

A bowling alley has captivated bored executives

By Jeremy Grant in Ho Chi Minh City

Saturday night in Saigon will never be the same - thanks to the Vietnamese army.

Vietnam's defence ministry and its Singapore business partner have opened Vietnam's first leisure and entertainment complex, the \$15m Saigon Superbowl. Each weekend its 32-lane bowling alley is attracting scores of affluent young Vietnamese, who for years have been starved of leisure activities.

A decade of economic reforms has turned these former students in Vietnam's biggest city, now named after the legendary wartime leader of former North Vietnam, into young executives with a taste for leisure. They have the spending power to match.

The development of Saigon Superbowl - and the proliferation of foreign brand name stores throughout Ho Chi Minh City - comes at a difficult time for Vietnamese policymakers, who have said they want to discourage consumer spending in order to

reduce a bulging trade deficit.

The army's stake in Saigon Superbowl reflects its growing economic role. The Ministry of Defence is keen to build up an industrial base of its own to add economic muscle to its increasing political power and to offset recent cuts in national defence spending.

As Saigon Superbowl shows, it is not coy about investing in high-profile projects. Encouraged by the success of this one, it has even agreed to help set up a national bowling team which would eventually compete internationally.

Entertainment opportunities are limited in a country where state-run television has for years served up drab folk features and heavily-censored news broadcasts. But bowling is new to Vietnam.

"I pay about 10 per cent of my monthly salary. I can afford it. There's nothing else to do," says a finance officer at a foreign company. He earns about \$700 a month, almost 10 times the annual average income a head in the city.

At 40,000 dong (\$3.60) a game at the weekend, Saigon Super-

bowl pulls in \$300,000 a month and 1,000 people a day. That is double the expectations of Singapore's SOTL Leisure, the ministry's partner, says Mr Francis Lee, business manager at the centre. "Originally we expected an equal mix of foreigners and Vietnamese but there are more locals."

With 4,000 sq m of retail space, the complex includes a western-style supermarket and a food court. "Planet Europa" - a combined bar, disco and karaoke lounge - is to open shortly in the same building.

Downstairs, names such as Revlon, the cosmetics company, Adidas sportswear and Swatch, the Swiss watch-maker, have opened. KFC, the US fast-food chain, is to open an outlet next year.

There are plans to open a second site in Ho Chi Minh City and the company has already picked a piece of land for a third in Hanoi, the national capital. Like Saigon Superbowl, they may include teams of instructors and a shop where the keenest players can buy their own bowls - for \$100-\$200 each.

Internet debut for currency trading schemes

By Richard Adams and Clay Harris in London

Currency speculation moves to the Internet today, with the launch of a new scheme aimed at wealthy investors. Currency Management Corporation, a London foreign exchange market-maker, is offering clients a 24-hour service for placing orders using the Internet.

But currency market experts say the Internet is unlikely to overtake established bank systems as a means of trading.

Moreover, similar currency schemes - using traditional trading methods - are facing tighter regulation across Europe after complaints by investors who have lost huge sums very quickly.

Mr Peter Bariko, chairman of the EBS Partnership, a leading electronic broking system, said the difficulties of establishing credit and liquidity over the Internet meant it was likely to be used only as a method of taking orders.

Mr Richard Camotto, an independent consultant to the Bank of England on foreign exchange, said the volatility of the currency market meant that using the Internet would be suspect because of transmission delays.

As total daily turnover in the currency markets exceeded \$1,000bn, it would be a long time before Internet dealing made any impact, Mr Camotto said. "I can't imagine it would appeal to corporate clients, but I may well be proved wrong."

Potential customers must open an account with CMC, which involves a minimum margin deposit of \$20,000. Customers with accounts can use a personal computer program and a modem to access a special Internet site, which displays current market prices for currencies alongside the price offered by CMC.

By using a mouse to click on the CMC price, clients can send an order for the currency and amount they wish to buy. The order is then executed by CMC's dealers in London, who purchase the currency on the interbank market.

CMC's clients are able to "roll over" currency deals that they have not settled - called an "open position" - by paying interest between the date the currency order was made and the date it is settled. If a currency bought on the margin falls in value, the client can "roll over" the deal in the hope it will regain its value. CMC is one of 20 companies seeking authorisation from the UK's Securities and Futures Authority to offer such investments. It has interim permission to operate, but investors have no protection under the UK's Investors Compensation Scheme.

THE LEX COLUMN

New glow at Anglo

How radical is Anglo American prepared to be? The launch of a strategic review does not guarantee big changes. While the disposal of some non-core assets is on the cards, full-scale unbundling of the giant South African mining-based conglomerate is not.

The scope for the group to add value through restructuring is probably immense. There is no strategic logic in holding nearly a third of its assets in financial services, consumer industries and heavy industries. Anglo's long chains of command are cumbersome at the best of times, with competition intensifying as the South African economy opens up, managing a swathe of unrelated companies is unlikely to be successful. Moreover, a well-crafted disposal programme should realise premium prices for Anglo's controlling stake; at present, it trades at a discount to the sum of its parts.

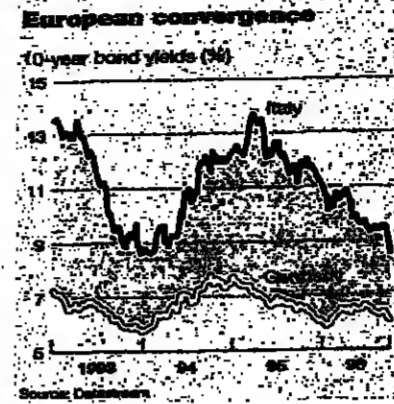
Anglo's mining interests could do with a reshuffle too. Not only is capital tied up in mines such as Gold Fields of South Africa, which Anglo does not control, often cash is trapped inside businesses it does control but does not own entirely.

Why should Anglo bother with a value-enhancing strategy? After all, outside shareholders cannot bring pressure for change, since the Oppenheimer family is firmly in control. Nor does Anglo have any immediate need for cash, though some subsidiaries do.

The answer is less to do with need than opportunity. In the post-apartheid era, Anglo has greater scope to expand its international mining interests. And rich though it currently is, the group is unlikely to have sufficient resources to grasp all the attractive opportunities. Hence the logic of selling non-core assets. Moreover, Anglo may at some point even need to raise equity. By taking measures to enhance shareholder value now, the Oppenheimers would face less dilution if and when that happens.

Convergence trades

These are heady times in Europe's high-yielding bond markets. Renewed optimism about Spain and Italy participating in European monetary union has sparked a sharp rally in both countries. Spreads over German bunds have dried below levels last seen in the bull market of 1993. Then, the party ended abruptly when the US Federal Reserve's decision to raise



European convergence 10-year bond yields (%)

interest rates. Yet investor long-term bonds cannot much faith in the short to the inflationary prospect new currency arguably no siderably more. If a Euro Emu really is on the cards steepening of the German curve looks inevitable.

Audit committees

Companies such as Olivetti Gesellschaft and Credit Lyonnais make it clear that Europe rate governance makes sense to them. International investors already fighting for better sure, more non-executive (and an end to cross-share) They might also start to p

Staffed predominantly executive directors, audit committees do not pore over the accounts. Rather, they oversee financial reporting processes responsibility for financial controls and serve as an independent contact for internal and external auditors. But while audit committees are mandatory in France's Visiobot report on governance makes sense to them. In Germany, there of splitting the supervisory into dedicated committees change will have to await my eral reform of company law

Ironically, given Olivetti's lems, Italy probably has it respectable alternative to a committee - the Collegio Sin. This is a board of statutory tors, usually three or five appointed by shareholders attend board meetings (the not vote), verify the accounts call a shareholders' meeting they believe the directors incompetent or breaking it Unfortunately, a string of disasters suggests the system lost any teeth it once had.

Of course, Anglo-Saxon audit committees are not a p. They are unlikely to uncover profits at Wickes, the ish DIY group. And even in their power could still be seen currently, they are merely mented by the Cadbury report could the London Stock Exchange not include them in its requirements? Audit committees are no substitute for proper financial controls, but they should

Pakistan reaches outline deal with IMF on economy

By Peter Montagnon in London and Farhan Bokhari in Islamabad

Pakistan and the International Monetary Fund have reached an understanding on the contours of an economic stabilisation programme which is to be submitted to the cabinet in the next few days, Mr Benazir Bhutto, prime minister, said.

Speaking in London on her way back from talks at the United Nations in New York, she said the plan involved a "pretty harsh" budget, but she indicated the understanding fell short of a full agreement that would allow Pakistan to resume drawings on a \$600m loan negotiated last December.

An improved relationship with the IMF was more important than fixing draw-downs on the loan, she said. These have been blocked because of the country's failure to meet its economic targets.

Ms Bhutto said the government had sufficient resources to meet the foreign debt repayments even without fresh credit from the IMF.

"We have never defaulted on any external commitments, nor will we," she said. "We were hoping for a more sympathetic hearing from the IMF, but I think it's to help the bankers that they look at it in a different way," she added.

She agreed budget receipts had fallen below target

because of the wave of strikes that followed the introduction of a sales tax on goods and services in her budget in June.

The IMF has been urging Pakistan to hold its budget deficit to 4 per cent of gross domestic product, a level agreed when the IMF standby loan was negotiated, and has been concerned that the revenue targets from the sales tax were unrealistic.

With reserves now down to \$1.2bn compared with \$1.7bn before the June budget, the delay in drawing down the IMF loan has caused concern that Pakistan may face difficulty meeting heavy foreign debt repayments.

Gazprom shares offered at a premium

Continued from Page 1

cessful, it will probably be followed in several years by a New York listing and a much larger international fund-raising exercise. Over the next few years Gazprom is expected to place up to 9 per cent of its shares overseas.

The placement could pave the way for a string of Russian companies to raise money abroad to meet their desperate need for capital. It would also put Russia firmly on the investment map for western fund managers.

A few Russian companies, such as Lukoil, the country's biggest privatised oil producer, have already successfully launched similar programmes. But the sheer size of Gazprom, which accounts for 7.5 per cent of Russia's gross domestic product, and its importance in the European economy, should ensure even greater international interest.

A prospectus published today to coincide with the start of the roadshow shows that Gazprom's gearing - its ratio of debt to equity - is just over 2 per cent. This is

extremely low when compared with western energy groups, which have an average gearing of about 30 per cent.

Some fund managers contacted about the Gazprom deal were sceptical about the effects of possible attempts by dealers to exploit the price differential that will emerge between the international and domestic shares.

The company's advisers, however, expect dealers to try to build financial bridges between the two. The company said it would consider such attempts illegal.

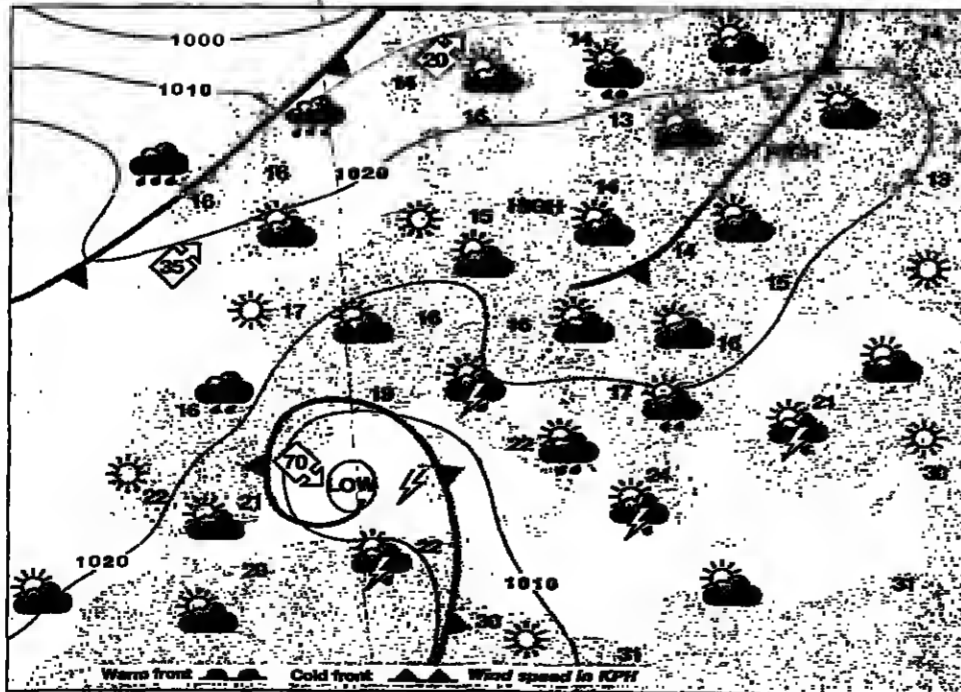
FT WEATHER GUIDE

Europe today

The western Mediterranean will have many showers and thunderstorms as a low pressure area develops near Sicily. Most of western and eastern Europe will have sunny spells. An area of high pressure will stay over Poland, Scandinavia and the British Isles will have light rain. The Balkans, Italy, Greece and the Aegean Sea will have thunderstorms. Portugal and Spain will have sunny spells and temperatures as high as 22C. The Alps will have sunny spells and showers.

Five-day forecast

The Mediterranean will have frequent thunderstorms and heavy showers as an area of low pressure slowly moves from Sicily towards Turkey. The UK and Scandinavia will have rain. Most of Europe will have sunny spells.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Table with columns for city, weather, and temperature. Includes cities like Beijing, Cairo, London, New York, etc.

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